Supreme Court, U.S.
FILED

031634 MAY 28 2004

OFFICE OF THE CLERK

No. 03-

IN THE

Supreme Court of the United States

SUBSTANCE, INC. and GEORGE N. SCHMIDT,

Petitioners,

v.

CHICAGO BOARD OF EDUCATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

ALAN BARINHOLTZ
ALAN BARINHOLTZ, P.C.
55 West Monroe Street
Suite 3330
Chicago, IL 60603
(312) 704-4000

MARK H. BARINHOLTZ*
MELINDA H. SCHRAMM
MARK H. BARINHOLTZ, P.C.
55 West Monroe Street
Suite 3330
Chicago, IL 60603
(312) 977-0121

Attorneys for Petitioners

* *Counsel of Record*

QUESTIONS PRESENTED

This case raises issues of first impression concerning the meaning of the words "or value of" in fair use § 107(4) of the Copyright Act. The statutory interpretation is of special, federal importance here because it is presented against the backdrop of a conflict between government's use of special deposit rules for secure tests, 37 C.F.R. § 202.20(c)(2)(iv), as reckoned against First Amendment speech and press liberties of a newspaper and its editor who published portions of a school board's test materials. The Seventh Circuit held in this case that *market* value is irrelevant to § 107(4) "value" when unpublished works are allegedly harmed. The court also held that even where the government as plaintiff sues a newspaper and its editor to limit public scrutiny of works copyrighted by the government, the First Amendment adds nothing to the fair use defense. The Seventh Circuit decided these issues in a way that conflicts with relevant decisions of this Court, other courts of appeal and even its own opinions. Moreover, the court decided these issues by departing too far from the accepted and usual course of judicial proceedings, *inter alia*, on summary judgment.

Three questions are presented.

1. Do the economic incentives underlying the copyright laws require that fair use analysis take into account the effect on the plaintiff's market or potential market for the original work, or does the phrase "or value of," taken out of the context of § 107(4) of the Act, allow the factfinder to ignore whether there exists a market or potential market for the plaintiff's work and focus instead on a non-market based harm to some other "value" of the work?

2. When a government entity (a school board) claims copyright in testing materials (exam questions) for which there is no actual, intended or potential market, may that government assert the secure test confidential deposit provisions under the Copyright Act to suppress publication of matters of high public concern (the invalidity of the tests) without infringing First Amendment speech and press liberties of a newspaper and its editor?

3. If the record before the district court, and the record, briefs and arguments on appeal, disclosed genuine, disputed issues of material fact, did the district court and the court of appeals erroneously grant and affirm dismissal of the fair use defense, and entry of summary judgment on liability for copyright infringement, inconsistent with the provisions of Rule 56 of the Federal Rules of Civil Procedure, and thereby unfairly deny the accused infringers a jury trial?

LIST OF PARTIES

The parties to this proceeding are set forth in the caption.

CORPORATE DISCLOSURE STATEMENT

Petitioner, Substance, Inc., states that it has no corporate parent(s), and that no publicly held company owns 10% or more of Substance, Inc.'s stock.

TABLE OF CONTENTS

	Page
Questions Presented	i
List of Parties	iii
Corporate Disclosure Statement	iii
Table of Contents	iv
Table of Cited Authorities	vi
Table of Appendices	x
Opinions Below	1
Statement of Jurisdiction	1
Constitutional and Statutory Provisions Involved	1
Statement of the Case	2
Reasons for Allowance of the Writ	9
I. The Seventh Circuit's decision is based on an incorrect construction of an important provision of the Copyright Act, and merits Court intervention.	11

Page

II. Certiorari is warranted because the decision below, in a constitutionally impermissible way, conflicts with decisions of this Court and of other Circuits, threatening infringement of speech and press rights under the First Amendment. 16

III. Certiorari is warranted because the Seventh Circuit rendered a decision that departs too far from the accepted and usual course of judicial proceedings, and sanctions such departures by the district court, as well. 20

A. The courts' departures from the accepted and usual course of judicial proceedings... 20

B. Fair use is a jury question..... 28

Conclusion..... 30

TABLE OF CITED AUTHORITIES

Cases: ***Page***

American Geophysical Union v. Texaco, Inc., 802 F.Supp. 1 (1992), aff'd, 60 F.3d 913 (2nd Cir. 1995) 12

Anderson v. Liberty Lobby, 477 U.S. 242 (1989) 23

Assn. of Medical Colleges v. Cuomo, 928 F.2d 519 (2nd Cir. 1991), cert. denied, 502 U.S. 862 (1991)... 27, 28

Bartnicki v. Vopper, 532 U.S. 514 (2001) 21

Bucklew v. Hawkins, et al., 329 F.3d 512 (7th Cir. 2003) 14

Campbell v. Acuff-Rose Music, 510 U.S. 569 (1994) 12, 13

Columbia Broadcasting System v. Democratic Nat'l Committee, 412 U.S. 94 (1973) 13

Consolidated Rail Corp. v. Fore River Railway Co., 861 F.2nd 322 (1st Cir. 1988) 22

Danielson, Inc. v. Winchester-Conant Properties, Inc., 186 F.Supp.2d 1 (D.C.Mass. 2002) 17

Eldred v. Ashcroft, 537 U.S. 186 (2002) 2, 10, 12, 16, 18, 19

Eldred v. Reno, 239 F.3d 372 (D.C. Cir. 2001) 19

Feltner v. Columbia Pictures, 523 U.S. 340 (1998) 29

Grutter v. Bollinger, 123 S.Ct. 2325 (2003) 20

Harper & Row Publishers v. Nation Enterprises, 471 U.S. 539 (1985) 11, 13, 16, 17, 28

Page

Malec v. Sanford, 191 F.R.D. 581 (N.D.Ill. 2000) 29

Meeropol v. Nizer, 560 F.2d 1061 (2nd Cir. 1977) 29

Nat'l. Business Lists v. Dunn & Bradstreet, 552 F.Supp. 89 (N.D.Ill. 1982) 28

Nat'l. Rifle Assn. v. Handgun Control Fed., 15 F.3d 559 (6th Cir.1994)..... 18, 19

New York Times Co. v. United States, 403 U.S. 713 (1971) 18, 21

NXIVM Corp. v. The Ross Institute, 364 F.3d 471, dec. 4/20/04 LEXIS 7608 (2nd Cir.) 14

Piarowski v. Ill. Comm. College Dist., 759 F.2d 625 (7th Cir. 1985) 20

Roy Export v. Columbia Broadcasting System, 503 F. Supp. 1137 (SDNY 1980), aff'd, 672 F.2d. 1095 (CA2), cert. denied, 459 U.S. 826 (1982) 28

Schnapper v. Foley, 667 F.2d 102 (D.C. Cir. 1981), cert. denied, 455 U.S. 948 (1982) 10, 16

Sony Corp. v. Universal City Studios, 464 U.S. 417 (1984) 12, 16, 18

Suntrust Bank v. Houghton Mifflin Co., 252 F.3d 1165 (11th Cir. 2001) 19
268 F.3d 1257 (11th Cir. 2001) 19

Ty, Inc. v. Publications International Ltd., 292 F.3d 512 (7th Cir. 2002), cert. denied, 123 S.Ct. 892 (2003) 14, 28

Page

Video Pipeline v. Buena Vista Home Ent.,
342 F.3d 191 (3rd Cir. 2003) 15

Wojnarowicz v. American Family Ass'n.,
745 F.Supp. 130 (SDNY 1990) 18

Worldwide Church of God v. Philadelphia Church of God, 227 F.3d 1110 (9th Cir. 2000) 15

Constitution, Statutes and Regulations

Const. Art. I Sec. 8 ..... 11, 12

Const. Am. I 2, 4, 5, 10, 13-14, 16-18, 19-21

Const. Am. XIV 17

17 U.S.C. § 102(b) 16

17 U.S.C. § 105 17

17 U.S.C. § 107 ..... 2, 18

17 U.S.C. § 107(3) 2, 26

17 U.S.C. § 107(4)..... 2, 9, 11, 13-15, 23, 28

Fed.R.Civ.P. 12 29

Fed.R.Civ.P. 12(b)(6) 20, 21

Fed.R.Civ.P. 54(b) 21

Fed.R.Civ.P. 56 ..... i, 29

37 C.F.R. § 202.20(c)(2)(iv) i

Page

Other Authorities:

Black's Law Dictionary (rev. 4th ed. 1968) 12

2 Duane Burton, Jury Instructions in Intellectual Property Cases, Ch. 40, Sec. 6 "Fair Use" (2003) 28

House Report, No. 94-1476, 94th Cong., 2d Sess., U.S. Code Cong. & Admin. News 1976, p. 5659 12

Latman, *Fair Use of Copyrighted Works* (1958), Study No. 14, in S. Judiciary Subcomm. Rept. on Copr.Law Rev'n, 86th Cong., 2nd Sess. (1960) 12

4 Nimmer & Nimmer *on Copyright* (2004) 10, 14

Senate Report, No. 94-473, 94th Cong., 1st Sess., Misc. Repts., Vol. 7, p.65, (1975) 12

TABLE OF APPENDICES

Page

Appendix A — Modified Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated January 28, 2004 ..... 1a

Appendix B — Order Of The United States Court Of Appeals For The Seventh Circuit Dated January 14, 2004 ..... 4a

Appendix C — Opinion Of The United States Court Of Appeals For The Seventh Circuit Decided December 31, 2003 ..... 7a

Appendix D — Final Judgment Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated January 22, 2003 ..... 22a

Appendix E — Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated August 20, 2002 ..... 24a

Appendix F — Memorandum Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated August 20, 2002 ..... 28a

Appendix G — Memorandum Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated August 6, 2002 ..... 32a

Appendices

Page

Appendix H — Decision Of The United States District Court For The Northern District Of Illinois Dated June 11, 2002 And Docketed June 12, 2002 ..... 43a

Appendix I — Status Hearing And Hearing On Motion Dated June 11, 2002 ..... 45a

Appendix J — Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated October 30, 2001 And Docketed October 31, 2001 ..... 52a

Appendix K — Transcript Of Proceedings Dated October 30, 2001 ..... 54a

Appendix L — Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated June 14, 2000 ..... 56a

Appendix M — Opinion And Order Of The United States District Court For The Northern District Of Illinois, Eastern Division Dated January 4, 2000 ..... 62a

Appendix N — Constitutional Provisions, Statutes, And Regulations Involved 113a

Petitioners, Substance, Inc., an Illinois corporation , and George N. Schmidt, respectfully pray that this Court grant a writ of certiorari to review the opinion, as amended, of the United States Court of Appeals for the Seventh Circuit.

OPINIONS BELOW

The initial opinion of the district court (per Norgle, D.J.) granting respondent's motion to dismiss petitioners' counterclaim and third party complaint, and also dismissing petitioners' affirmative defenses of fair use, First Amendment and free speech and press provisions of applicable state constitutions (Appendix ("Pet. App.") 62a-112a) is published at 79 F.Supp.2d 919. The court of appeals' opinion (per Posner, J., joined by Easterbrook and Rovner, JJ.) affirming in part, vacating in part, and remanding with instructions (Pet. App. 7a-21a), and as amended (Pet. App. 4a-6a), is published at 354 F.3d 624.

STATEMENT OF JURISDICTION

The Seventh Circuit entered its judgment and opinion on December 31, 2003. On January 14, 2004, the court of appeals entered a 2-page order *sua sponte* amending its own judgment. On March 30, 2004, Justice Stevens extended the time to file this petition for a writ of certiorari to and including May 29, 2004. Petitioners invoke this Court's jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The provisions of the Constitution, the Illinois state constitution, the Copyright Act of 1976, 17 U.S.C. § 101, *et seq.*, and the Code of Federal Regulations, relevant to this petition are reprinted in the Appendix at 113a-117a.

STATEMENT OF THE CASE

The Copyright Act states certain copying of another author's copyrighted work does not constitute infringement but, rather, a use which is fair. 17 U.S.C. § 107. Section 107 contains four statutory factors as a basic framework for analysis. It is well settled that those factors are non-exclusive. One of the four factors asks the factfinder to weigh the "amount and substantiality" of the portion of the original work allegedly used in relation to the original work as a whole. 17 U.S.C. § 107(3). Another factor directs the factfinder to review whether the accused use has an effect on the "potential market for or value of" the copyrighted work. 17 U.S.C. § 107(4). The courts below judged these two factors by incorrect standards, and ignored substantial disputed fact issues and evidentiary gaps material thereto.

Prior to the decisions below, virtually no court had enunciated a discrete meaning for the words "or value of" in the context of fair use analysis. The Seventh Circuit held those words to mean that non-market economic harm, *eg.*, lost development cost for a work never destined for the marketplace, was one of the harms intended by Congress to be considered. By holding that "market" is irrelevant in such circumstances, and sanctioning the district court's holding in that regard, the Seventh Circuit erred.

Finally, the alignment of the parties, namely, a government entity asserting a copyright claim against a newspaper and its editor, for the purpose of maintaining secrecy of government works, raised a colorable issue that the First Amendment, if not viable as a stand-alone defense, at least had a role to play in the context of fair use analysis. The Seventh Circuit, purporting to rely on *Eldred v. Ashcroft*, 537 U.S. 186 (2002), considered the First Amendment arguments as "Wasting time." Pet. App. 19a.

The court of appeals erred because it misread *Eldred.*

1. Petitioner Substance, Inc., is a corporation that publishes a local monthly newspaper *Substance.*[1] The newspaper has been published regularly for nearly three decades, and is aimed at teachers and other education professionals in the Chicago public school system. Petitioner George N. Schmidt ("Schmidt") was, at the time the lawsuit was filed, the editor of *Substance* and a high school teacher in the Chicago public schools. At or about January 1999, anonymous sources provided to *Substance* various booklets (sub-tests) which had been prepared by the respondent Chicago Board of Education (the Board) in collaboration with a test center at the University of California at Los Angeles, the Center for Research on Evaluation, Standards and Student Testing ("CRESST").

The testing program, known as the Chicago Academic Standards Exams ("CASE"), covered 11 subject areas each consisting of pools of as many as 100-200 questions. The question pools were being developed during a pilot program to last three years. From the pools, sub-tests consisting of from 3 to 30 questions, were reproduced into booklets used to administer the exams. The booklets had a copyright notice, but were not registered with the Copyright Office. In January 1999, *Substance* published an exposé on CASE, including reproductions of pages from 6 sub-test booklets in order that the criticisms be fully and fairly understood.

2. Respondent Board is a government entity, the Board

---

[1] The Seventh Circuit, claiming to "simplify the opinion," *sua sponte* disregarded the separateness of Substance, Inc., as an entity apart from petitioner Schmidt. (Pet.App.7a) In so doing, the court ignored that the lead defendant was, and is, a newspaper *Substance.*

of Education of the City of Chicago.[2] The Board collaborated with CRESST to create CASE. A 3-year pilot program was commenced at or about 1998. For each semester, some 22 exams (sub-tests) were to be culled from the pools of questions being developed. Resp. Br. 3. (Briefs on Appeal cited "Br.") At January 1999, respondent and CRESST had not yet resolved the issue of who would own the copyright in certain elements of the CASE exam materials. Notwithstanding respondent's lack of ownership perfected in the entire contents of CASE, the *Substance* exposé prompted respondent to commence a lawsuit alleging copyright infringement. In order to do so, the Board registered its copyright claiming ownership of the entire CASE materials, including that such ownership rights had been obtained "By written assignment." Am. Compl., Ex. A, the Board's Copyright Registration, at Space 4. But, the Board did not have any such written assignment from CRESST.

In its lawsuit, the Board contended that by publishing certain portions of CASE exam materials, *Substance* and Schmidt infringed the Board's copyright in CASE. *Substance* and Schmidt, now petitioners, asserted various defenses including that the publication constituted a fair use and was otherwise privileged under free speech and press provisions of the First Amendment and analogous provisions of state constitutions. In addition, petitioners asserted a counterclaim and third party complaint alleging violation of their constitutional rights of free speech and free press.

3. In response, the Board brought a "Motion to Dismiss Counterclaim and Third Party Complaint." The

---

[2] Respondent filed its lawsuit as the "Chicago School Reform Board of Trustees." Respondent is now known as the Board of Education of the City of Chicago.

motion and memorandum in support, although styled and directed primarily at the counterclaim and third party complaint, contained brief pleas to dismiss petitioners' First Amendment and fair use affirmative defenses. At that point in the proceedings, there was little if any discovery commenced or completed. Instead, the Board relied upon admissions by petitioners that, indeed, portions of CASE had been reproduced verbatim in the newspaper.

The district court, without discovery as to the Board's claims, essentially converted the pleadings motion into one for summary judgment and dismissed the counterclaim and third party complaint. The district court went further, and based primarily on untested allegations from the Board's complaint, rendered a judgment on the pleadings dismissing petitioners fair use, free speech and free press defenses.[3]

Fundamental to the district court's decision was its understanding of certain "facts" presented by the Board which were taken as true, but which later turned out to be incorrect, including, (i) that there were only 22 "tests" in all in the CASE program, (ii) that the Board expected to use the same tests in 1999 and in future years, (iii) that the cost to the Board of developing the tests was approximately $1.3 million, (iv) that the test portions published in *Substance* represented "entire" tests, and (v) that the publication of the portions contained in the newspaper had destroyed or had a serious impact on CASE as a whole. Pet. App. 64a, 82a, 91a, 93a. In fact, none of these "facts" proved to be true. The

---

[3] The dismissals were without prejudice. (Pet. App. 112a) Discovery commenced in earnest shortly thereafter, and was ongoing throughout the proceedings in the district court. Even as the district court proceedings were being concluded by stipulation, substantial discovery, including expert discovery was pending for completion.

district court had been misled by the Board.

4. Following dismissal of the counterclaim, third party complaint and affirmative defenses, the lawsuit proceeded in two phases of further discovery. In the first phase, key personnel of respondent were deposed and revealed that factual assumptions relied upon by the district court in dismissing petitioners' affirmative defenses and other pleadings, were erroneous. At that point, petitioners sought to have the dismissals reconsidered and/or vacated. Petitioners' presented to the district court (Darrah, D.J.) a substantial motion and memorandum amply supported with specific citations from deposition testimony evidencing the factual and legal errors underlying the dismissals. On October 30, 2001, without requiring any responsive brief from the Board, and without stating any reasons therefor, the district court *sua sponte* denied the motion to reconsider and/or vacate District Judge Norgle's earlier ruling. Pet. App. 55a.

A second phase of new discovery, including subpoenas to the Board's collaborator CRESST, disclosed documents that showed respondent was not fully possessed of the entire copyright interest in the CASE exams until nearly two years after the lawsuit was commenced. Petitioners argued the Board's submission of a copyright application to the Copyright Office, claiming copyright in the entire CASE, including "By written assignment," was misleading. However, the copyright registration had issued, enabling respondent to file its suit on the heels of the accused edition of *Substance*. CRESST also produced evaluations prepared for the Board but not previously disclosed by the Board, in which CRESST criticized CASE as being invalid and discriminatory. (Pet.Br. Sep.Apx. H, the "CRESST docs.")

In Spring 2002, the Board brought a motion for partial summary judgment, arguing that since petitioners' key

affirmative defenses had been dismissed, including fair use, petitioners could not defend against a pre-trial finding of copyright infringement. Based on the additional second phase discovery, petitioners took two approaches. First, they answered by raising all of the factual disputes that discovery had disclosed to date. Second, petitioners sought leave to amend their affirmative defenses, to add ones related to copyright misuse, based on specific documents evidencing the Board's misstated copyright registration.

At that point in the proceedings, further discovery was contemplated by the parties, including continued depositions of key Board personnel, depositions of key CRESST personnel, and Rule 26 expert report disclosure and depositions. Instead of taking the motion to amend affirmative defenses together with petitioners' summary judgment responses, Magistrate Judge Bobrick, on June 11, 2002, took preemptive aim at petitioners' motion to file new affirmative defenses, and denied same on respondent's bare objection, without allowing petitioners to file a written response or requiring respondent to answer substantial evidentiary matters pertinent thereto in the summary judgment papers. Pet. App. 43a-48a.[4] On August 6, 2002, Magistrate Judge Bobrick entered a finding of copyright infringement against petitioners on summary judgment. The court erred. Petitioners had demonstrated numerous disputed fact issues which needed to be tried to a jury. Pet.Br. Sep.Apx. D, E, F, G. Nevertheless, on August 20, 2002, the Magistrate denied petitioners' motion to reconsider, and entered an order enjoining petitioners from various acts of publication of the CASE materials. Pet. App. 24a-27a.

---

[4] The court also denied petitioners leave to file an amended counterclaim and third party complaint.

5. As of Fall 2002, the parties were facing a jury trial on damages issues. The controversy had not reached finality, and petitioners did not appeal from the injunction order. By that time, the Board had decided to virtually abandon the CASE testing program, and stipulated that its damages, originally claimed to be $1.3 million, would be reduced down to a mere $500 subject to certain conditions requiring a measure of success by petitioners on appeal. Negotiations at the close of 2002 resulted in a stipulation[5] whereby the jury trial on damages would be postponed, if not avoided altogether, in favor of allowing petitioners to appeal the underlying liability questions bound up in the dismissals of the affirmative defenses, counterclaim and third party complaint.[6] On January 22, 2003, the district court entered a Final Judgment Order terminating all remaining claims in the controversy. Pet. App. 22a-23a.

6. On February 21, 2003, petitioners appealed. On December 31, 2003, the Seventh Circuit, while vacating the injunction in part, affirmed the rulings by the various district court judges as to dismissal of affirmative defenses and a finding of liability for copyright infringement. The opinion is

---

[5] The Final Judgment Order refers to the stipulation being attached (Pet. App. 22a), but the magistrate judge omitted the attachment when he endorsed the order. Judge Posner acknowledged at oral argument that the stipulation was in the record. The stipulation provided that the remaining damages issues would be resolved conditionally, subject to whether petitioners could prevail, at least in part, in their appeals from the finding of liability for copyright infringement.

[6] Petitioners succeeded, in part, since the judgment of the district court was vacated in part and remanded for further proceedings. Pet. App. 21a. On remand, the injunction was narrowed and the $500 conditional award was vacated.

remarkable for its fundamental inconsistency with the precedent of this Court, decisions of other circuits and even the court's own decisions. Moreover, the Seventh Circuit virtually ignored substantial portions of petitioners' briefs on appeal which explained and carefully documented in the record the existence of fact issues which should have precluded the dismissals on the pleadings by District Judge Norgle, or the entry of a finding of copyright infringement on summary judgment by Magistrate Judge Bobrick.

On January 14, 2004, the court of appeals corrected its own decision with regard to certain statements it made in the initial draft pertaining to the technicalities of copyright registration which were intertwined with the arguments made by petitioners in connection with their efforts to add affirmative defenses on the basis of copyright misuse. On January 28, 2004, pursuant to the opinion of the Seventh Circuit on remand, Magistrate Judge Bobrick issued a modified order amending the injunction. Pet. App. 1a-3a.

7. This petition for a writ of certiorari followed.

REASONS FOR ALLOWANCE OF THE WRIT

First, no federal court has ever construed the meaning of the phrase "or value of" in § 107(4) of the Copyright Act, other than in the context of a market-based analysis. In this case, the courts below held that "value" need not be market related. "Value" could be viewed subjectively without reference to economic incentives, gain or exploitation. The decision of the district court, and as adopted by the Seventh Circuit, sets a precedent involving the construction of the federal statute which is in conflict with the Constitution's purposes, the Congressional intent behind the Copyright Act, the decisions of this Court, other courts of appeal and the Seventh Circuit's own decisions in the fair use arena.

Therefore, an important question of federal law is presented which should be settled by this Court.

Second, the Seventh Circuit's decision conflicts with holdings of this Court and of other circuits in at least two important ways pertinent to petitioners' First Amendment rights of free speech and press. First, the Seventh Circuit's judgment wrongly holds that even where a government entity seeks to suppress criticism of its activities by using the Copyright Act against a newspaper to enforce secrecy of government works, "[t]he First Amendment adds nothing to the fair use defense." Pet. App. 19a. That holding is contrary to this Court's decision in *Eldred v. Ashcroft* and the warnings of the District of Columbia court of appeals in *Schnapper v. Foley*. Second, it gives virtually no deference to the principle which instructs that fair use analysis is to be conducted in the context of "scope," a flexible standard for review which broadens or narrows depending upon the facts presented. 4 Nimmer & Nimmer § 13.05[A][2][a].

Third, the Seventh Circuit's decision sanctions dramatic departures from established procedural principles contained both in the Federal Rules of Civil Procedure respecting motions on the pleadings and for summary judgment, and established federal procedures involving the right to trial by jury in fair use cases. The Seventh Circuit's decision so dramatically departs from established procedures that it threatens to erode uniformity in the application of those rules. Those departures, in the face of the goal of uniformity, require that this Court exercise its supervisory authority to correct the divisive effects.

I. The Seventh Circuit's decision is based on an incorrect construction of an important provision of the Copyright Act, and merits Court intervention.

This case presents an important question of first impression under § 107(4) of the 1976 Copyright Act. With respect to the alleged infringing use made of a work, § 107(4) asks the factfinder to consider "the effect of the use upon the potential market for or value of the copyrighted work." The phrase "or value of," despite the fact that it appears to be separated by the disjunctive "or," should not be read as being divorced from the phrase "the potential market for." Established decisions of this Court and other circuits require that the phrase "or value of" be read by federal courts in one of three ways, none of which refer to a non- market-based harm. First, the words can identify the actual, present market value for the original work, as opposed to the "potential market for" the original work. Second, the words can be read as clarifying the phrase "potential market for," as if the word "or" is read "or in other words." Third, the phrase can be read as a redundant equivalent of "potential market for" focusing on derivative works. Under any of these constructions, "market value" is the standard by which the factor is to be measured.

In light of the intended purpose of the Copyright Act, "or value of" cannot be read to mean some non-market value of a work never intended for the marketplace. In the context of fair use analysis, the Court has stated the Framers of the Constitution intended the Copyright Clause to spur the creation and dissemination of ideas "by establishing a marketable right," supplying an "economic incentive," based upon an "economic philosophy," in order "to secure a fair return" to the author for her creative efforts. *Harper & Row v. Nation*, 471 U.S. 539, 558 (1985). The Court has stated

that Congressional enactments under the Copyright Clause authorize the grant of a "monopoly," albeit a limited one, to the author. *Sony v. Universal City Studios*, 464 U.S. 417, 429 (1984).[7] The Court has emphasized that "[n]o man but a blockhead ever wrote, except for money." *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 584 (1994), *citing* 3 Boswell's Life of Johnson 19 (G. Hill ed. 1934). Recently, in the context of deciding whether to extend the term of copyright's limited monopoly, the Court said that "copyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge... The profit motive is the engine that ensures the progress of science." *Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18, *citing American Geophysical Union v. Texaco, Inc.*, 802 F.Supp. 1, 27 (SDNY 1992), aff'd, 60 F.3d 913 (CA2 1992).

Legislative history pertinent to the revisions embodied in the Copyright Act of 1976 are set forth in the House Report, 129 U.S.Code Cong. & Admin.News 1976, pp. 5659, *et seq.* The portion explaining new fair use § 107 of the Act is utterly devoid of any reference to the phrase "or value of" as having a discrete meaning, apart and separate from a market context. *Id.* pp. 5678-5688. Neither is there any such reference in the Senate Report or the Studies, as to "value" in the fair use context having any meaning outside of the realm of market exploitation. S.Rept. No. 94-473, at p. 65 (1975); Study No. 14, Latman, *Fair Use of Copyrighted Works*, 86th Cong., 2d Sess., p. 30 (1960).

This Court has set forth the appropriate standard for

---

[7] "Monopoly," is defined in terms of a privilege or advantage in the context of trade, a market, or competition in commerce. Black's Law Dictionary, p. 1158 (rev. 4th ed. 1968).

analysis of § 107(4), dubbed the "market harm" factor. *Campbell*, 510 U.S. at 590. (citations omitted) Market harm is to be viewed as having two perspectives, both of which must be taken into account. The inquiry looks not only to the extent of actual, present market harm to the original work, but also of harm to potential markets for the original and for derivative works of the original. *Id.* The Court has never ruled that § 107(4) leaves room for analysis other than in a market context. Nor has the Court ever hinted that the words "or value of" in § 107(4) are meant to refer to a non-market species of harm, such as loss of development cost for a work never intended to be exploited for gain.

The Seventh Circuit's decision, which adopts the district court's view on the concept of "value" (Pet. App. 94a-95a), stands alone among the circuits in fair use jurisprudence. Judge Posner agreed with the district court, stating that while it is true that the Board had no market or potential market for the CASE exam materials, such fact is "irrelevant" here because the publication of some test materials in *Substance* "is destroying *the value of* (emphasis added) the tests and the fact that it's not a *market* value has no significance... ." Pet. App.16a. The court then linked that erroneous concept to the proposition that the CASE exams were unpublished works. Although Judge Posner seemed confident that the "unpublished" status was important, the court cited no case authority. *Id.* The court skirted the issue of whether the right to control publication stems from a First Amendment right to refrain from speaking (*Harper & Row*, 471 U.S. at 559-560), and completely disregarded petitioners' arguments that government entities do not possess First Amendment rights to not speak. Pet.Br. 14-15. *Cf. Columbia Broadcasting System v. Democratic Nat'l Comm.*, 412 U.S. 94, 139 (1973)(Stewart, J., concurring,

"The First Amendment protects the press *from* governmental interference; it confers no analogous protection *on* the Government.") Judge Posner's analysis not only ignores the arguments made by petitioners, but is doctrinally faulty.

Nimmer analyzes the fourth statutory factor under Table of Contents headings which entirely omit the words "or value of" (*See* Nimmer & Nimmer, Vol. 4, Table of Contents, p.13-2, and § 13.05[A][4] p.13-181 ("[4]--The Effect upon the Plaintiff's Potential Market") The text of Nimmer dealing with § 107(4) does not disclose any case authority to suggest the factor is meant to identify two distinct forms of harm, one involving adverse impact on the potential market for the plaintiff's work, and a separate one for an adverse impact on the "value of" the plaintiff's work. *Id.* at 181-188. Nimmer has specific footnoted references to the statutory language, including the words "potential," "market," "present," and "work." *Id.* at 183. Notably, the phrase "or value of" is not cited to any case authority. *Id.*

The Seventh Circuit's non-market approach in this case conflicts with the "market" inquiry approach presently used in the Second Circuit. *See NXIVM Corp. v. The Ross Institute*, (CA2) 364 F.3d 471 (decided April 20, 2004, LEXIS 7608 at *24-25). In conflict with the instant case, the market theory has been the prevalent theme in the Seventh Circuit. Indeed, Judge Posner's own market-based economic theory analyses dominate the court's decisions. *Ty, Inc. v. Publ. Int'l, Ltd.* 292 F.3d 512, 517 (CA7 2002) ("economic terminology... has become orthodox in fair-use case law"); *also Bucklew v. Hawkins, et al.*, 329 F.3d 923, 931 (CA7 2003). In the instant case, market-based analysis was *ad hoc* dispensed with by the Seventh Circuit in favor of a theory the court hand tailored to fit its perceptions, but which is ill-suited to fit the federally appropriate principles which mandate a

different approach, and probably a different outcome.

The only two authorities petitioners are able to locate which focus at all on the phrase "or value of," still do so only in terms of market-based, competition-based or 'commercial use'-based analyses. *See Video Pipeline v. Buena Vista Home Entertainment*, 342 F.3d 191, 202 (CA3 2003), citing *Worldwide Church of God v. Philadelphia Church of God*, 227 F.3d 1110, 1119 (CA9 2000). The Ninth Circuit and the Third Circuit have used the phrase "or value of," to explain that value need not be limited to typical exploitation for monetary rewards, *eg*., licensing or sales. However, those circuits respectively identify "value" as either having a "harmful effect" on the ability of a major motion picture distributor (Disney) to control the use of its own movie trailers "to advertise, cross-market and cross-sell other products, and to obtain valuable marketing information... ." *Id. Video Pipeline,* or as having an effect on the accused work's potential to erode goodwill by diverting new memberships and thereby impacting monetary contributions, *Id. Worldwide*. Therefore, even under *Video Pipeline* or *Worldwide*, the focus remains on economic-based incentives or gain.

Petitioners are unable to locate any authority which supports, directly or indirectly, the Seventh Circuit's holding in this case, that "or value of" may be viewed as a separate form of harm (*eg.,* taking a sledgehammer to Michelangelo's David, Pet. App. 17a) and that "market" theory is irrelevant to analyzing that harm under § 107(4).

II. Certiorari is warranted because the decision below, in a constitutionally impermissible way, conflicts with decisions of this Court and other Circuits, and threatening infringement of speech and press rights under the First Amendment.

The District of Columbia Circuit, in *Schnapper v. Foley*, 667 F.2d 102 (D.C.C. 1982), warned of the possibility of a controversy where the government might assert a copyright interest in an effort to prevent access to government works. Circuit Judge McGowan sounded the alarm that the government might misuse the Copyright Act to deny access to information. Petitioners submit the instant controversy presents that issue.

The Court has cited *Schnapper* as precedent in various situations involving fair use or the clash between copyright and the First Amendment. *Eldred*, 537 U.S. at 197, *Harper & Row*, 471 U.S. at 560, and *Sony*, 464 U.S. at 443. In *Schnapper*, the court of appeals was faced with various constitutional challenges to the United States Government's copyrights in federally commissioned works. The court felt that ordinary fair use analysis, including analysis under the "idea/expression dichotomy" doctrine,[8] was sufficient to resolve the issues presented in that case. ("We are unaware, however, of any effort on the part of the United States Government to throttle free expression through use of the copyright laws, and we are not inclined to hypothesize such an effort nor to hand down a decision invalidating an act of Congress on that hypothetical basis." *Id.*, 667 F.2d at 115) However, the court, uncomfortable that it's holding could

---

[8] The doctrine provides that copyright law protects only the author's expression, not the ideas and facts embodied therein. *Harper & Row*, 471 U.S. at 556, and 17 U.S.C. § 102(b).

imply that the government might in the future, through use of the copyright laws, try to suppress free expression, warned:

> "We are confident that should the day come when the Government denies someone access to a work produced at its direction on the basis of a copyright, and if the doctrine of fair use and the distinction between an idea and its expression fail to vindicate adequately that person's interest–although we have no reason to believe that they would–the courts of the United States would on the basis of facts, not hypotheses, consider afresh the First Amendment interests implicated thereby. We are sure that they will comprehend the difference between that case and this one." *Id.* at 116.

The reckoning foretold by Judge McGowan exists in the instant case. Although this controversy does not involve Government with a capital "G," *ie.*, the United States, that appears to be a distinction without a difference in view of the applicability of the First Amendment through the Fourteenth.[9] The circumstances here are compelling because a government entity is relying upon federal regulations promulgated under the Copyright Act to limit free expression and a fair degree of public access to government works.

Numerous courts, including this Court, have stated that fair use is a flexible concept whose "scope" widens or narrows. Factors that "broaden" the scope of fair use include whether the copyrighted work (here the CASE exams) is factual in nature as opposed to fiction or fantasy. *Harper &*

---

9 17 U.S.C. § 105 is instructive by analogy, but pertains only to works created by the U.S. Government. *See also Danielson v. Winchester-Conant Properties*, 186 F.Supp.2d 1, 21-22 (D.C. Mass. 2002), describing the split in the circuits over whether privately-developed works, once adopted by government in public enactments, lose their copyrightable status and enter the public domain.

Row, 471 U.S. at 563. Another factor which broadens the scope is whether the work is informational in nature, such as a news report, as opposed to a creative work of entertainment. *Sony*, 464 U.S. at 496-497 (Blackmun, J., dissenting). Another factor is whether the work involves matters of high public concern. *Nat'l Rifle Ass'n. of Amer. v. Handgun Control Fed.*, 15 F.3d 559, 562 (CA6 1994). Another factor is whether plaintiff used or accepted public funds to produce the original work. *Wojnarowicz v. Amer. Family Ass'n.*, 745 F.Supp. 130, 146 (SDNY 1990). All of these factors are present in the instant case and were before the district court and the court of appeals. In addition, the preamble to § 107 identifies probative criteria, including that a finding of fair use is particularly appropriate to situations involving purposes such as criticism, comment, news reporting, and otherwise pertaining to educational uses. All of these criteria are present in the instant controversy and were before the court of appeals, as well, when it entered its decision. None of these factors or criteria were given their proper weight by the courts below. Had these factors and criteria been properly considered, the courts should have viewed the scope of fair use available to petitioners as being very broad. Instead, the courts below erroneously narrowed their application of the fair use defense.

Notwithstanding all of the foregoing, relating to First Amendment implications and their importance in the context of news reporting (*See New York Times Co. v. United States*, 403 U.S. 713 (1971)), the Seventh Circuit believes that this Court has instructed the federal courts, through *Eldred v. Ashcroft*, that "[t]he First Amendment adds nothing to the fair use defense." Pet. App. 19a. Instead, the Seventh Circuit opined that the First Amendment, insofar as it relates to this case, merely highlights a counterpoint to the right to criticize,

namely, the incentive to create. *Id.* (without citation) The Seventh Circuit has overlooked this Court's rejection of copyright's regime as posing an "insuperable bar" to the First Amendment. In *Eldred v. Ashcroft*, the Court says the D.C. Circuit "spoke too broadly when it declared copyrights 'categorically immune from challenges under the First Amendment.'" *Id.* 537 U.S. at 221, citing *Eldred v. Reno*, 239 F.3d 372, 375 (D.C.C. 2001).

The Seventh Circuit has incorrectly read the Court's views in *Eldred v. Ashcroft*, 537 U.S. at 219-222, and of the role that the First Amendment might play in fair use analysis. This Court did not set a "bright line" or "*per se*" rule that the First Amendment can play no role in fair use analysis because its safeguards are already built in. Petitioners read this Court's opinion in *Eldred* to state that copyright's built-in free speech protections are only "generally adequate" to address First Amendment concerns. *Id.* at 221. Significantly, copyrights are not categorically immune from First Amendment challenges, particularly where the government acts to "burden" speech. *Id.*

By misreading *Eldred*, the Seventh Circuit utterly failed to recognize a significant argument raised by petitioners that First Amendment concerns are, at least, an additional factor in the fair use analysis given the circumstances of the instant controversy where government asserts copyright claims in government works against a newspaper. Pet.Br. 20-21, 25, citing *Suntrust v. Houghton Mifflin*, 268 F.3d 1257, 1276 (CA11 2001), and earlier Order at 252 F.3d 1165, 1166, vacating TRO and preliminary injunction "in this copyright case ... as an unlawful prior restraint in violation of the First Amendment."; also *Nat'l. Rifle Ass'n., supra.*

Instead, the Seventh Circuit preferred to suggest that "another fair use factor" consists of the "autonomy of

educational institutions." Pet. App. 18a, citing *Grutter v. Bollinger*, 123 S.Ct. 2325, 2339 (2003), and *Piarowski v. Ill. Comm. College Dist.*, 759 F.2d 625, 629 (CA7 1985). *Grutter* involved a state law school's permissible use of race as an admissions factor to promote student body diversity. *Piarowski* involved the removal from a school gallery of some stained glass windows that were objected to by the college as being racially and sexually inappropriate. Factually, those cases appear to differ from the one here, since neither involved government suppression of a newspaper publication. Legally, neither case involved the Copyright Act and its defenses of fair use or First Amendment. Even assuming, however, that "the autonomy of educational institutions" could be an additional factor in the fair use analysis, then, petitioners submit that factor does not deserve any more weight than, or preclude, the First Amendment concerns implicated here, as an additional factor.

III. Certiorari is warranted because the Seventh Circuit rendered a decision that departs too far from the accepted and usual course of judicial proceedings, and sanctions such departures by the district court, as well.

A. The courts' departures from the accepted and usual course of judicial proceedings.

The Seventh Circuit's decision evidences a dramatic departure from accepted summary judgment procedure, *inter alia*, and sanctions departures in that regard by the district court (Norgle, D.J., Darrah, D.J., and Bobrick, Mag.J.), warranting an exercise of the Court's supervisory authority.

During the initial phase in the district court, before the case proceeded to discovery, respondent brought a Rule

12(b)(6) motion on the pleadings. The motion sought to dismiss petitioners' counterclaim and third party complaint, and in very brief fashion mentioned dismissing the fair use and First Amendment affirmative defenses. The district court (per Norgle, D.J.) converted the motion to one for judgment on the pleadings and dismissed the affirmative defenses along with the counterclaim and third party complaint. Pet. App. 111a-112a. In effect, per Judge Posner, the Rule 12(b)(6) motion became one for summary judgment. Pet. App. 11a. The Seventh Circuit recognized that such approach, without giving petitioners the opportunity to take discovery, was error (*Id.* at 11a-12a), even "bizarre." *Id.* at 15a. Nonetheless, the Seventh Circuit ignored that error, in favor of its own view of the facts as noted below.

In a second phase, on October 30, 2001, before District Judge Darrah, defendants brought a Rule 54(b) Motion to Vacate and/or Reconsider Judge Norgle's dismissals. The motion was substantial, based largely on evidence developed through depositions of key Board personnel.[10] District Judge Darrah did not require a response from the Board. From the bench *sua sponte* he ruled the motion was denied claiming "no authority for the relief" sought. Pet. App. 55a. Petitioners asked the Seventh Circuit to review Judge Darrah's decision under a *de novo* standard, since the trial

---

10 The motion also cited this Court's decision in *Bartnicki v. Vopper*, 532 U.S. 514, at 527-528 (2001) as a reaffirmation of the principle stated in *New York Times Co. v. United States*, that the fact that material may have been wrongfully obtained by a third-party does not taint the right of the press to publish information of great public concern. Petitioners argued before District Judge Darrah, and on appeal, that District Judge Norgle had erred prejudicially when he relied, in the fair use context, on his inappropriate argument that "truthful information sought to be published *must* (emphasis added) have been lawfully acquired." Pet. App. 92a, 100a-101a.

court's abbreviated utterance "failed to indicate any reason for its decision," citing *Consolidated Rail Corporation v. Fore River Railway Co.*, 861 F.2d 322, 326 (CA1 1988). Instead, the Seventh Circuit's opinion omits even mentioning District Judge Darrah's ruling. Pet. App. B, C.

Ultimately, following the revelations disclosed after CRESST was subpoenaed, the final phase of the trial court proceedings before Magistrate Judge Bobrick presented new disputed material issues of fact. Pet.Br. Sep.Apx. H, Addl. Facts pp. 9-12. Those facts were also overlooked, and worse, both by the district court and the Seventh Circuit. Judge Posner, incorrectly, unfairly and without page citations, criticized petitioners' appeal briefs, oral argument and purportedly unsuccessful efforts to discover pertinent evidence in the district court proceedings. Pet. App. 15a-16a. He claimed that petitioners did not indicate what evidence they had obtained or hoped to obtain in further discovery in support of their opposition to respondent's motion for partial summary judgment on liability. *Id.* However, the record below, and as argued in petitioners' appeal briefs, as well as oral argument, amply supported the existence in the record of disputed issues of material fact, and/or evidentiary gaps yet to be filled. Pet.Br. 5-8, 22-30, Pet.Br. Sep.Apx. A-H, and Pet.Reply 3-4, 8-13, 17-18, 23-24.

The disputed fact issues are so persistent, some of them percolate up from the district court, and forcefully invade the Seventh Circuit's opinion. Notwithstanding his statement that certain facts "are either undisputed or indisputable" (Pet. App. 9a), Judge Posner's opinion reveals, but then improperly determines or ignores, triable fact issues. "[A]t the summary judgment stage the judge's function is not himself to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for

trial." *Anderson v. Liberty Lobby*, 477 U.S. 242, 249 (1986). Judge Posner's fact determinations, and those of the district court judges below, were based on misunderstandings and incorrect assumptions, and are not a proper substitute for findings that should be made by a jury. Some of the disputed issues of material fact are:

1. What was the actual cost of the CASE exams? The decision states that "according to Schmidt" the respondent's costs for its efforts to create and copyright the CASE exams was "more than $1 million." Pet. App. 9a. The court offers no citation. In fact, at all times below, petitioners refuted the claims of costs and expenditures made by respondent. Answer ¶¶ 9, 49. The decision further states "the actual figure is not in the record." Pet. App. 9a. If correct, that statement is an acknowledgement of an evidentiary gap on a material issue. But, the decision is incorrect, or ignores facts, since various alternate, conflicting amounts claimed by respondent at different times were clearly mentioned in the record and in respondent's pleadings, discovery responses and brief on appeal. The amounts ranged from $1.3 million (Am. Compl. ¶ 9), to "in excess of $400,000" (Resp.Br. 5), down to as little as $500, per Stipulation on appeal. Pet. App. 23a ¶ 2. This fact dispute is relevant to the § 107(4) inquiry, irrespective of the market theory or construction one chooses to apply. A jury should determine the true cost of the CASE exam program.

2. Who Created the CASE exams? The decision states the respondent "created" the CASE exams. Pet. App. 9a. This "fact" was disputed, and goes to the heart of the Board's entitlement to sue. In fact, there were several disputed fact issues material to the granting of summary judgment and the denial of leave to petitioners to file additional defenses based on copyright misuse. First, there

was a fact dispute in the record over whether the Board was possessed of a lawful copyright registration when it filed its lawsuit on January 26, 1999. A crucial assignment of copyrights in CASE from CRESST was not made and delivered until nearly two years after suit was filed, and then only after CRESST was threatened by the Board. Pet.Br. 7, 28-29, Pet.Reply 8-13. Judge Posner recognized the dispute, but determined it to be a "squabble." Pet. App. 19a. This determination was improper. A jury is entitled to decide the severity of the dispute. Second, the court recognized an evidentiary gap in the record, stating "CRESST may have devised a few of the questions, though this is unclear." *Id.* at 19a. A jury should determine how much authorship CRESST contributed to CASE, not the court. Next, the court speculated that as to such authorship, it "would probably have been work for hire." *Id.* 19a-20a. These are serious questions of fact that were in dispute, were material to the resolution of a finding for copyright infringement, and should not have been determined by the district court or the court of appeals, or left open to guesswork by the Seventh Circuit.

The court misstated petitioners' argument to be that the school board "lacks" a valid copyright registration. Pet. App. 19a. Petitioners' argument was primarily that the Board "lacked" a valid copyright registration when it filed its suit in 1999. Pet.Br. 7, Pet.Reply 8. These issues are underscored by the court's correction of its own slip opinion, to suggest that had the registration been truthful, but refused, the Board could have sued on the refusal. Pet. App. 5a. Although technically correct, the court's amended parenthetical leads to an absurdity. *Compare* ("Or maybe yes...") Pet. App. 5a, with Pet. App. 19a. Petitioners submit this litigation would have taken on an entirely different tone, if brought at all, had the Board been refused its copyright

registration and been forced to sue on that refusal.

3. How many tests (or sub-tests) were there?[11] The court of appeals' decision glosses over the fact that there was a discrepancy and material fact dispute over just how many tests were created by the Board. The Seventh Circuit recognized that there was a factual dispute and even though there was a discrepancy in the court's view as to whether there were 22 or 44 tests (a difference of 100%) the court blithely determined this dispute by saying it did not make any difference because it was going to give petitioners "the benefit of the doubt." Pet. App. 15a. Though it had its facts wrong, the court at least alluded to the proper standard, but then failed to apply that standard. The Seventh Circuit utterly ignored the matters raised in petitioners briefs, amply supported with evidentiary citations, and in oral argument, which demonstrated that for the pilot program of at least three years there were many more than 44 tests involved in the CASE exam program.

Surprisingly, the respondent's brief on appeal revealed that for each school semester of the 3-year CASE pilot program (*ie.*, six semesters), the Board was creating at least 22 sub-test booklets. Resp.Br. 3. Even putting aside issues about the larger pools of questions, had Judge Posner given petitioners "the benefit of the doubt" the court should have done the math and viewed the publication in *Substance* of six sub-tests against a minimum total of 132 sub-tests. Only a jury should decide what the amount was and whether the amount used in relation to the whole was substantial. These

---

11 Petitioners submit the terminology confused the court. The test booklets reproduced in *Substance* were merely "sub-tests," *ie.*, subsets of small numbers of questions selected from the pools of questions in the 11 subject areas, and reproduced in booklet form.

disputed facts are material to the § 107(3) determination.

The court's statement that petitioners did "not explain why, or indicate witnesses or documents that might support such an argument" is mistaken (Pet. App. 16a), since the briefs on appeal, including respondent's brief, plainly stated petitioners' position. Pet.Br. 22-23, Resp.Br. 3-4, Pet.Reply 3-4. The court was obligated to recognize those disputed facts, not to ignore them or make its own determinations.

4. Were the "entire" tests for each of the 11 subject-areas actually comprised of "pools" of questions, and, if so, how may questions were in those pools? The Seventh Circuit states that the first step in creating CASE was creation of "a pool of questions," but that "the record does not indicate how many." Pet. App. 9a. At the least, the court identifies an important gap in the evidence relevant to fair use § 107(3), the amount and substantiality factor. But these were facts disclosed by the Board only after District Judge Norgle had dismissed the fair use defense. In fact, the record developed to show there were pools of questions for each of the 11 exam subject areas, consisting of approximately 100-200 questions each. Pet.Br. 22-23; Pet.Br. Sep.Apx. F, Addl. Facts pp. 15-16. Therefore, the record does indicate that the issue of "how many questions were in the pools" was in dispute, or if not in dispute, then at least pertinent to the inquiry under § 107(3), the amount and substantiality factor.

Thus, Judge Posner had identified a crucial area of disputed facts, and/or evidence yet to be gathered, *ie.*, how many questions were in the pools. But, the court did nothing about it, even in the face of the obvious relevance of such facts to § 107(3), and despite petitioners' arguments in their briefs and at oral argument. The court should have recognized that the facts surrounding the creation of the pools, and the number of questions in the pools were relevant, material fact

issues which should be decided by a jury.

5. Did publishing the six sub-tests actually prevent the Board from asking any of the questions in those tests in subsequent years? The Seventh Circuit assumed, without citation, that petitioners' publication of CASE materials "prevented the board from asking any of the questions in those tests in subsequent years." Pet. App. 14a. Underlying the assumption were various material disputed fact issues, including: (i) whether the majority of test items in the January 1999 Semester CASE sub-tests needed to be rewritten anyway (CRESST docs. C01301-02), (ii) whether the tests were, in fact, invalid for their intended use as minimum competency exams (CRESST docs. C01218-19), (iii) whether the tests had high levels of gender and ethnicity bias (CRESST docs. C01219), and (iv) even whether the Board's own key personnel felt that any harm was caused to the tests by the publication in *Substance*. Pet.Br. Sep.Apx. F, Addl. Facts pp. 16-17. These were facts either disclosed by the Board only after District Judge Norgle had dismissed the fair use defense, or never disclosed by the Board but, instead, revealed by CRESST after being subpoenaed. These issues were always refuted by petitioners. Answer ¶¶ 9, 10, 13, 49. In addition, these matters would clearly be the subject of expert discovery, and would likely have created triable fact issues. The court, again without citation, presumed to resolve such complex fact issues (*eg.*, what might be the intended timing and effect of random question rotation from the pools). The court relied upon its simplistic explanation that "*some* questions must be carried over to future years in order to validate the exam." Pet. App. 17a.

The Second Circuit has spoken on the subject in *Ass'n. of Amer. Medical Colleges v. Cuomo*, 928 F.2d 519 (CA2 1991). Lauding the goals of the state *Id.* at 526, *i.e.*, "...to

serve the public interest in the validity and objectivity of tests, to encourage development of better test instruments, and to assure the accuracy of the scoring process," *Id.* at 524, the court opined that even extensive disclosure of test questions, as the state statute required, may constitute fair use. The court found material fact issues based on conflicting experts' testimony as to whether disclosure of test questions actually prevents them from being reused, or has any effect on the exams. *Id.* at 525. These issues could not be resolved on summary judgment. *See also Ty, Inc. v. Publ. Int'l*, at 516-517 (cautioning against resolving fair use on summary judgment, citing *Amer. Ass'n of Med. Coll. v. Cuomo*).

The Seventh Circuit's presumptions about test validity theory, and speculation as to what experts might or might not say (Pet. App. 17a), are not a proper substitute for complex fact determinations yet to be made in this case, and which are relevant to the § 107(4) inquiry.

B. Fair use is a jury question

This Court has stated that "[F]air use is a mixed question of law and fact." (citation omitted) *Harper & Row*, 471 U.S. at 560. An appeals court need not remand for further fact finding, but only if "the district court has found facts sufficient to evaluate each of the statutory factors..." *Id.* At least one other federal court has stated "[F]air use is normally considered a question of fact...with the fair use instructions put to the jury." *Natl. Business Lists v. Dunn & Bradstreet*, 552 F.Supp. 89, 96 (N.D.Ill. 1982). In *Roy Export v. Columbia Broadcasting System*, 503 F.Supp. 1137, 1145 (SDNY 1980) the court stated "the question of whether [defendant's] use was substantial presented a classic jury question." An extensive array of jury instructions, set forth in Duane Burton, *Jury Instructions In Intellectual Property*

Cases, Vol.2, Ch. 40, Sec. 6 "Fair Use," pp. 9-32, demonstrate how and why, in the fair use context, disputes involved here are for the jury to decide.

In the instant case, the district court judges all engaged in dramatic departures from the accepted course of proceedings under Rule 12 of the Federal Rules of Civil procedure, and under Rule 56. By failing to flag for trial the material disputed fact issues, and the flagrant manner in which the respondent treated the evidentiary requirements of summary judgment procedures (Pet.Br. Sep.Apx. G, Resp's Reply to Addl. Facts), the district court erred.[12] Pet.Br. 27-28, citing *Malec v. Sanford*, 191 F.R.D. 581, 584 (ND Ill. 2000). But, the Seventh Circuit, in condoning such conduct by the district court, and by engaging in its own version of fact finding, or glossing over material evidentiary gaps, sanctioned such departures and engaged in them as well.

By resolving the issue of whether the fair use defense should be dismissed on a mere pleadings motion, the district court erred and deprived petitioners' of their right to trial by jury on the fair use questions. *Meeropol v. Nizer*, 560 F.2d 1061, 1071 (CA2 1977); also see *Feltner v. Columbia Pictures Television*, 523 U.S. 340 (1998). By failing to recognize substantial disputed fact issues pertinent to the Board's summary judgment motion, the district court further erred depriving petitioners' of their right to trial by jury on the disputed fact issues. *Id.*

---

12 Magistrate Judge Bobrick repeatedly claimed his hands were tied because the "law of the case" doctrine prevented him from reversing earlier decisions by District Judge Norgle and District Judge Darrah. Respondent echoed such arguments on appeal. *See* Resp.Br. 9, 21.

By sanctioning these dramatic departures from usual and accepted judicial procedures by the district court, and by acting outside the bounds of the judge's function by making its own fact determinations, or ignoring factual holes which, when filled, could have enabled a reasonable jury to find to the contrary, the Seventh Circuit erred.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

Mark H. Barinholtz*
Melinda H. Schramm
Mark H. Barinholtz, P.C.
55 West Monroe Street
Suite 3330
Chicago, IL 60603
(312) 977-0121

Alan Barinholtz
Alan Barinholtz, P.C.
55 West Monroe Street
Suite 3330
Chicago, IL 60603
(312) 704-4000

**Counsel of Record* *Attorneys For Petitioners*

APPENDIX

APPENDIX A — MODIFIED ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED JANUARY 28, 2004

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 99 C 440

CHICAGO SCHOOL REFORM BOARD OF EDUCATION,
an Illinois municipal corporation,

Plaintiff,

vs.

SUBSTANCE, INC., an Illinois corporation, and GEORGE N. SCHMIDT *et al.*,

Defendants.

Edward A. Bobrick,
Magistrate Judge

MODIFIED ORDER

This cause coming on to be heard on the Motion for Summary Judgment on liability and for Permanent Injunction, filed by plaintiff, the Chicago School Reform Board of Education ("Board"), the Board having filed a two-Count Verified Complaint for copyright infringement and

misappropriation of trade secrets against defendants, Substance, Inc., and George Schmidt (collectively "Defendants"), and

the Board having moved for judgment on the issue of liability on the copyright infringement claim and to permanently enjoin the Defendants from publishing any materials copyrighted by the Board without Board authorization, and

the Parties having fully briefed the Board's motion, and the court having read and considered the briefs, affidavits, depositions and exhibits submitted by the Parties, and

the court having found that there are no issues of material fact, and that the Board is entitled to judgment on liability on the copyright claim and to a permanent injunction in this case

IT IS HEREBY ORDERED:

1. The Board has succeeded on the merits of its claims against Defendants alleging willful copyright infringement as more fully set forth in this court's order of August 6, 2002.

2. The Board has shown that it is being, and will continue to be, irreparably harmed in its reputation and in the unauthorized publication and distribution of full copies of the Board's CASE examination to the public and that no adequate remedy at law could compensate the Board for the damage and injury to its reputation and to the CASE examinations.

3. The Board has shown that the harm to the Board will be far greater if the injunctive relief requested is not granted, than the minimal harm to Defendants, if they are enjoined as requested by the Board.

4. The Board has shown that it would be in the public interest to enter an order granting the Board the injunctive relief it requests, especially because Defendants have infringed, and have written and testified under oath that Defendants would continue to infringe, the Board's copyrights in the CASE and others of the Board's examinations.

5. Accordingly, since this court granted the Board's motion for summary judgment, the Defendants and those in privy with them or with notice of the injunction are hereby enjoined from copying or publishing or otherwise distributing copies of secure Chicago Public School tests, in whole or substantial part, in which the school board has valid and subsisting copyright, without the Board's authorization.

ENTERED: s/ Edward A. Bobrick
EDWARD A. BOBRICK
U.S. MAGISTRATE JUDGE

DATE: January 28, 2004

APPENDIX B — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT DATED JANUARY 14, 2004

UNITED STATES COURT OF APPEALS
For the Seventh Circuit
Chicago, Illinois 60604

January 14, 2004

Before

Hon. Richard A. Posner, *Circuit Judge*

Hon. Frank H. Easterbrook, *Circuit Judge*

Hon. Ilana Diamond Rovner, *Circuit Judge*

No. 03-1479

CHICAGO BOARD OF EDUCATION,

Plaintiff-Appellee,

v.

SUBSTANCE, INC. AND GEORGE N. SCHMIDT,

Defendants-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

No. 99 C 440

Edward A. Bobrick, *Magistrate Judge.*

Appendix B

ORDER

The slip opinion issued in the above entitled case on December 31, 2003, is amended as follows: On page 12 the full paragraph should read:

His further argument that the school board lacks a valid copyright registration on which to found this suit is frivolous. Although a copyright no longer need be registered with the Copyright Office to be valid, an application for registration must be filed before the copyright can be sued upon. 17 U.S.C. § 411(a); 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 7.16[B][I][a] (2003). In its application for registration the school board claimed to have a copyright in the entire contents of the tests. Had the claim been false, the registration should not have issued and maybe therefore the copyright could not have been sued upon. See *Whimsicality, Inc. v. Rubies Costume Co.*, 891 F.2d 452, 453, 456 (2d Cir. 1989). (Or maybe yes, because the copyright would have been registered, and because the statute requires only a refused registration, which might be the equivalent of an improper registration, not an actual registration, as the premise for the suit. We need not decide.) Schmidt argues that the school board did not have a copyright in the entire contents of the tests. He bases this argument on a squabble that erupted between the school board and a research center at UCLA called CRESST that had been hired to review and evaluate the questions and help the board analyze the results of the tests. CRESST may have devised a few of the questions, though this is unclear and in any event would probably have been work for hire, 17 U.S.C. § 101, so that the school board would have owned the copyright anyway.

§ 201(b). Unsurprisingly, CRESST did not claim copyright in any part of the tests, and to resolve the squabble had assigned any copyright it might have in its analyses to the board.

APPENDIX C — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT DECIDED DECEMBER 31, 2003

IN THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 03-1479

CHICAGO BOARD OF EDUCATION,

Plaintiff-Appellee,

v.

SUBSTANCE, INC. AND GEORGE N. SCHMIDT,

Defendants-Appellants.

ARGUED DECEMBER 1, 2003—DECIDED DECEMBER 31, 2003

Before POSNER, EASTERBROOK, AND ROVNER, *Circuit Judges.*

POSNER, *Circuit Judge.*

In 1999 the Chicago Board of Education brought this suit for copyright infringement against a Chicago public school teacher named Schmidt and a corporation that owns a local newspaper called *Substance,* aimed at such teachers, which Schmidt edits. (To simplify the opinion, we'll ignore the corporation.) In August 2002 the magistrate judge issued an injunction mysteriously captioned "Permanent Restraining

Order," from which no appeal was taken. He issued a "Final Judgment Order" in January of the following year, awarding the school board $500 in damages but not referring to the injunction. Schmidt filed a timely notice of appeal from that order. But was that too late to challenge the "Permanent Restraining Order"? One possibility is that the order was a temporary injunction that became permanent when the "Final Judgment Order" was issued. If so, then since an appeal from a final judgment brings up for review any interlocutory order that has not become moot, Schmidt could defer his appellate challenge until the final judgment was entered. And if, as other orders in the case suggest, including the clerk's minute order recording the issuance of the "Permanent Restraining Order," the magistrate judge meant by that term "Permanent Injunction," the failure to appeal from it when it was entered was still not fatal. "[I]nterlocutory appeal of a permanent injunction is not mandatory, as the order remains part of the case and merges with the final judgment, from which an appeal can then be taken." *Prudential Securities, Inc. v. Yingling,* 226 F.3d 668, 671 (6th Cir.2000); see also *Victor Talking Machine Co. v. George,* 105 F.2d 697 (3d Cir.1939). To speak of "merger" in this context is to state a conclusion rather than give a reason. But it is the right conclusion because judicial economy is served by the consolidation of as many issues in a litigation as possible in a single appeal. That is why it is almost never mandatory to file an interlocutory appeal in order to preserve an issue for appellate review. 16 Charles Alan Wright et al., *Federal Practice and Procedure* § 3921, pp. 19-20 (2d ed.1996); see, e.g., *Clark v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 924 F.2d 550, 553 (4th Cir.1991).

Appendix C

The following facts are either undisputed or indisputable. At some considerable expense (more than $1 million, according to Schmidt, though the actual figure is not in the record), the school board created and copyrighted a series of standardized tests that it called the "Chicago Academic Standards Exams" (CASE). These were, in copyright lingo, "secure tests." "A secure test is a nonmarketed test administered under supervision at specified centers on specific dates, all copies of which are accounted for and either destroyed or returned to restricted locked storage following each administration. For these purposes a test is not marketed if copies are not sold but it is distributed and used in such a manner that ownership and control of copies remain with the test sponsor or publisher." 37 C.F.R. § 202.20(b)(4). To maintain secrecy, the Library of Congress does not retain a copy of such a test. § 202.20(c)(2)(vi).

The first step in making the CASE tests was to create a pool of questions—the record does not indicate how many—that would be drawn on to create the individual exams, each consisting of between three and 30 questions. The teachers who administered the exams were instructed not to make copies of them and to collect the test papers at the end of each exam so that the tests could be reused. Reuse of questions in standardized testing is not a sign of laziness but a way of validating a test, since if performance on the same questions is inconsistent from year to year this may indicate that the questions are not well designed and are therefore eliciting random answers. *Educational Testing Service v. Simon*, 95 F.Supp.2d 1081, 1084 (C.D.Cal.1999); *Association of American Medical Colleges v. Mikaelian*, 571 F.Supp. 144, 147 (E.D.Pa.1983), aff'd by unpublished order, 734 F.2d 3

(3d Cir.1984); *Association of American Medical Colleges v. Carey,* 482 F.Supp. 1358, 1367 (N.D.N.Y.1980); Robert A. Kreiss, "Copyright Fair Use of Standardized Tests," 48 *Rutgers L.Rev.* 1043, 1049 (1996). Such validation is of particular importance for a new battery of standardized tests, such as CASE, the subject of a three-year pilot program. And publication of standardized tests would not only prevent validation by precluding reuse of any of the questions in them, but also require the school board to create many new questions, at additional expense; and they might not be as good as the original questions, in which event there would be diminished quality as well as added cost. Hence the copyright category "secure tests."

It may seem paradoxical to allow copyright to be obtained in secret documents, but it is not. See *National Conference of Bar Examiners v. Multistate Legal Studies, Inc.,* 692 F.2d 478, 483-87 (7th Cir.1982). For one thing, the tests are not secret from the students taking them. For another, federal copyright is now available for unpublished works that the author intends never to see the light of day. *Salinger v. Random House, Inc.,* 811 F.2d 90, 94-97 (2d Cir.1987); see 17 U.S.C. §§ 104(a), 301(a); *Harper & Row, Publishers, Inc. v. Nation Enterprises,* 471 U.S. 539, 548 (1985). Most important, tests are expressive works that are not costlessly created, and the costs are greater and so the incentive to create the tests diminished if the tests cannot be reused. *Educational Testing Services v. Katzman,* 793 F.2d 533, 544 (3d Cir.1986); Emily Campbell, Comment, "'Testing' the Copyright Clause: Copyright Protection for Educational and Psychological Tests," 69 *Neb. L.Rev.* 791, 796-805 (1990). There is no analytical difference between destroying the market for a

copyrighted work by producing and selling cheap copies and destroying the subsequent years' market for a standardized test by blowing its cover.

In the newspaper that he edits, Schmidt published six of the tests given in January 1999. He did this because he thought them bad tests and that he could best demonstrate this by publishing them in full. His answer to the school board's complaint asserted that the unauthorized copying and publication of the tests were a fair use and therefore not a copyright infringement. The district court dismissed the fair use defense on the pleadings. This was irregular, since no evidence had yet been presented and the defense was not meritless on its face. The judge said that Schmidt had offered "no indication that [the defendants] plan to present facts, arguments, or analyses in support of a fair use." The judge was mistaken. He had overlooked a memorandum submitted by Schmidt that attempted to do just that.

To convert the school board's motion to dismiss into a motion for summary judgment, the judge would have had to notify Schmidt of his intention and give him an opportunity to present evidence that would create a triable issue. Fed.R.Civ.P. 12(b); *R.J. Corman Derailment Services, LLC v. International Union of Operating Engineers, Local Union 150,* 335 F.3d 643, 649 (7th Cir.2003); *Edward Gray Corp. v. National Union Fire Ins. Co.*, 94 F.3d 363, 366-67 (7th Cir.1996); 5A Wright et al., *supra,* § 1366, pp. 501-06 (1990). The judge didn't do that. But the requirement of notice has a purpose, which is to give the opponent a chance to show that he can present evidence that will defeat summary judgment. If Schmidt cannot point to any pertinent evidence

that he might be able to obtain and present in opposition to summary judgment, the judge's pratfall was harmless and a remand to enable the formal conversion of the school board's motion to dismiss to a motion for summary judgment would be pointless. *Loeb Industries, Inc. v. Sumitomo Corp.*, 306 F.3d 469, 479-80 (7th Cir.2002); see also *Ribando v. United Airlines, Inc.*, 200 F.3d 507, 509-10 (7th Cir.1999); cf. *Walker v. National Recovery, Inc.*, 200 F.3d 500, 504 (7th Cir.1999); *Kingman Park Civic Ass'n v. Williams*, 348 F.3d 1033, 1036, 1041-43 (D.C.Cir.2003); *Taylor v. FDIC*, 132 F.3d 753, 762-63, 765-66 (D.C.Cir.1997). What is pertinent evidence depends on the applicable substantive law, here the scope of the privilege of fair use in relation to secure tests.

Each side of this case has a one-sided view of the law. The school board contends that the case is governed by *Harper & Row Publishers, Inc. v. Nation Enterprises, supra*, a case in which a magazine published unauthorized excerpts from Gerald Ford's copyrighted memoirs before the memoirs were published, thus jumping the gun and by doing so reducing the value of the copyright. The school board points out that Schmidt impaired the value of the exams by publishing them prematurely. (Presumably the school board will not complain if they are published in *Substance* a century from now.) But the board overlooks the fact that the *Nation* was not publishing the excerpts from Ford's memoirs in order to be able to criticize Ford, or anyone or anything else, and the further fact that Schmidt was not trying to steal the school board's market, because unlike Harper & Row the school board did not intend ever to publish the copyrighted work that the alleged infringer published first. The second point has little force, as we'll see; but the first is important.

Appendix C

As Schmidt points out, one office of the fair use defense is to facilitate criticism of copyrighted works by enabling the critic to quote enough of the criticized work to make his criticisms intelligible. Copyright should not be a means by which criticism is stifled with the backing of the courts. And since doubts that fair use could ever be a defense to infringement of a copyright on an unpublished work (see, e.g., *Salinger v. Random House, Inc., supra,* 811 F.2d at 97) have now been stilled (see 17 U.S.C. § 107; *Sundeman v. Seajay Society, Inc.,* 142 F.3d 194, 204-05 (4th Cir.1998); *Wright v. Warner Books, Inc.,* 953 F.2d 731, 740 (2d Cir.1991)), the fact that the CASE tests were quasi-secret does not exclude the possibility of a fair use defense.

But Schmidt overreads our decision in *Ty, Inc. v. Publications Int'l Ltd.,* 292 F.3d 512 (7th Cir.2002), to hold that a purpose of criticizing creates a privilege of unlimited copying regardless of the harm to the copyright owner's legitimate interests. Ty was trying to enjoin the publication of Beanie Babies collectors' guides that contained criticisms of some of the Beanie Babies, with accompanying photographs that constituted derivative works of the soft-sculpture Beanie Babies and hence prima facie infringements of Ty's copyrights. There was no danger that if Ty failed to enjoin the publication of the collectors' guides the value of its copyrights would be impaired, because collectors' guides are not substitutes for the Beanie Babies themselves. More precisely, the only harm that could come to Ty from the unauthorized publication of the guides would be caused by the criticisms of particular Beanie Babies, whereas a harm to the school board from Schmidt's copying and publication that is independent of any criticisms is the cost of creating

substitutes for the questions that Schmidt published and of extending the period of the pilot program because his publishing the six tests prevented the board from asking any of the questions in those tests in subsequent years.

The board thus is correct that Schmidt did it harm going beyond the force of his criticisms. Yet he was entitled to criticize the tests and to do that effectively he had to be able to quote from them, just as a parodist has to be able to quote, sometimes very extensively, from the parodied work in order to make the criticism of it that is implicit in parodying it comprehensible. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 588 (1994); *Ty, Inc. v. Publications Int'l Ltd., supra*, 292 F.3d at 518; *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257, 1271-74 (11th Cir.2001). Indeed, there is no per se rule against copying in the name of fair use an entire copyrighted work if necessary. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 449-50 (1984); *Ty, Inc. v. Publications Int'l Ltd., supra*, 292 F.3d at 521; *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1526 (9th Cir.1992). This would be obvious if the school board had copyrighted each question separately, as it might well have done, since it wants to reuse questions without necessarily reusing an entire test.

So where to draw the line? The question cannot be answered precisely. The fair use defense defies codification. As we said in *Ty*, the four factors that Congress listed when it wrote a fair use defense (a judicial creation) into the Copyright Act in 1976 are not exhaustive and do not constitute an algorithm that enables decisions to be ground out mechanically. *Ty, Inc. v. Publications Int'l Ltd., supra,*

292 F.3d at 522; see also *Campbell v. Acuff-Rose Music, Inc., supra,* 510 U.S. at 577-78, 114 S.Ct. 1164; *Harper & Row, Publishers, Inc. v. Nation Enterprises, supra,* 471 U.S. at 560. The general standard, however, is clear enough: the fair use copier must copy no more than is reasonably necessary (not strictly necessary—room must be allowed for judgment, and judges must not police criticism with a heavy hand) to enable him to pursue an aim that the law recognizes as proper, in this case the aim of criticizing the copyrighted work effectively. *Ty, Inc. v. Publications Int'l Ltd., supra,* 292 F.3d at 521; *Kelly v. Arriba Soft Corp.,* 336 F.3d 811, 820-21 (9th Cir.2003); *Sundeman v. Seajay Society, Inc., supra,* 142 F.3d at 206.

The burden of proof is on the copier because fair use is an affirmative defense, *Campbell v. Acuff-Rose Music, Inc., supra,* 510 U.S. at 590; *Harper & Row Publishers, Inc. v. Nation Enterprises, supra,* 471 U.S. at 561; *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.,* 342 F.3d 191, 197 (3d Cir.2003), and Schmidt has presented no evidence sufficient to withstand summary judgment. But because of the bizarre circumstance that the district court decided the issue of fair use and *then* permitted discovery, we would be forgiving had Schmidt indicated in his appeal briefs or at oral argument what evidence he would like to obtain or present, though he didn't obtain any in the district court proceedings, to prove that he copied no more of the tests than he had to do in order to make his criticisms of them intelligible. He insists that he had to copy six tests out of the 22 to 44 tests given in January 1999 (it is unclear from the record which number is correct, so we will give Schmidt the benefit of the doubt and assume that it is the higher number)

in order to drive his criticisms home. But he does not explain why, or indicate witnesses or documents that might support such an argument. Granted that he had to quote some of the test questions in order to substantiate his criticisms, why entire tests? Does he think all the questions in all six tests bad? He does not say. What purpose is served by quoting the good questions? Again, no answer.

Schmidt's opening brief cites the memorandum that he had filed in the district court—the memorandum the judge had overlooked in rejecting the fair use defense on the pleadings. In the memorandum, Schmidt did offer answers to these questions. Only the answers are no good, so that even if incorporation by reference were a valid method of bringing facts and arguments to the attention of an appellate court—which it is not, *DeSilva v. DiLeonardi,* 181 F.3d 865, 867 (7th Cir.1999) ("a brief must make all arguments accessible to the judges, rather than ask them to play archaeologist with the record"); *Hunter v. Allis-Chalmers Corp.,* 797 F.2d 1417, 1430 (7th Cir.1986) ("our rules do not permit issues to be preserved by references to documents filed in the district court"); *Northland Ins. Co. v. Stewart Title Guaranty Co.,* 327 F.3d 448, 452-53 (6th Cir.2003)—treating the memorandum as if it were a brief in this court would merely confirm that Schmidt has no fair use defense.

The memorandum argues that the school board does not intend to sell the tests, and so Schmidt isn't eating into their market by publishing the tests. This is true, but irrelevant, because he is destroying the value of the tests and the fact that it's not a *market* value has no significance once the right to copyright unpublished works is conceded, as it must be.

Appendix C

The memorandum argues that expert testimony would establish that there is no educational value in publishing the exact same exam year after year. No one supposes there is; the argument rather is that *some* questions must be carried over to future years in order to validate the exam. The memorandum argues that if Schmidt quoted only a few of the questions, the school board would respond that he was cherry- picking the worst. But if the board did that without a solid grounding, it would open the door for him to quote additional questions; it would be a pro tanto waiver of confidentiality. The memorandum's remaining argument is that expert witnesses can be found to testify that the CASE tests are "dramatically inadequate." No doubt. But in so arguing the memorandum misunderstands the fair use privilege of criticism. It is not a privilege to criticize just bad works, and there is no right to copy copyrighted works promiscuously merely upon a showing that they are bad.

There is more than a suspicion that Schmidt simply does not like standardized tests. That is his right. But he does not have the right, as he believes he does (he claims a right to copy any test that an expert will testify is no good), to destroy the tests by publishing them indiscriminately, any more than a person who dislikes Michelangelo's statue of David has a right to take a sledgehammer to it. From the amicus curiae briefs filed in this case, moreover, it is apparent that many other teachers share Schmidt's unfavorable opinion of standardized tests. (A cynic might say that this is because such tests can make teachers look bad if their students don't do well on them.) So if Schmidt can publish six tests, other dissenters can each publish six other tests, and in no time all 44 will be published. The board will never be able to use the

same question twice, and after a few years of Schmidtian tactics there will be such difficulty in inventing new questions without restructuring the curriculum that the board will have to abandon standardized testing. Which is Schmidt's goal.

If ever a "floodgates" argument had persuasive force, therefore, it is in this case. And this suggests another fair use factor that supports the school board: the aspect of academic freedom that consists of the autonomy of educational institutions, see, e.g., *Grutter v. Bollinger,* 123 S.Ct. 2325, 2339 (2003); *Piarowski v. Illinois Community College Dist. 515,* 759 F.2d 625, 629 (7th Cir.1985) (cases involving a university and a college respectively, but the point is general), including their authority here gravely threatened to employ standardized tests in support of their conception of their educational mission. If Schmidt wins this case, it is goodbye to standardized tests in the Chicago public school system; Schmidt, his allies, and the federal courts will have wrested control of educational policy from the Chicago public school authorities.

The appeal raises other issues, but they require little discussion. Despite the Supreme Court's recent statement that "copyright law contains built-in First Amendment accommodations" and that in any event the First Amendment "bears less heavily when speakers assert the right to make other people's speeches," *Eldred v. Ashcroft,* 537 U.S. 186, 219, 221 (2003), and our repetition of the point in *In re Aimster Copyright Litigation,* 334 F.3d 643, 656 (7th Cir.2003), Schmidt devotes most of the argument portion of his briefs to attempting to persuade us that the First Amendment authorizes what he did. (He fails to cite either

case.) The First Amendment adds nothing to the fair use defense. The defense, so far as relates to this case, is the point of balance between the right to criticize, which is one aspect of freedom of expression, and the incentive to create expressive works, which is another aspect of the same freedom, the aspect that undergirds the Constitution's copyright clause. Wasting time on the First Amendment, Schmidt failed to show that he may have a viable fair use defense.

His further argument that the school board lacks a valid copyright registration on which to found this suit is frivolous. Although a copyright no longer need be registered with the Copyright Office to be valid, an application for registration must be filed before the copyright can be sued upon. 17 U.S.C. § 411(a); 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 7.16[B][1][a] (2003). In its application for registration the school board claimed to have a copyright in the entire contents of the tests. Had the claim been false, the registration should not have issued and maybe therefore the copyright could not have been sued upon. See *Whimsicality, Inc. v. Rubie's Costume Co.*, 891 F.2d 452, 453, 456 (2d Cir.1989). (Or maybe it could have been, because the statute requires only the application, not the registration, as the premise for the suit. We need not decide.) Schmidt argues that the school board did not have a copyright in the entire contents of the tests. He bases this argument on a squabble that erupted between the school board and a research center at UCLA called CRESST that had been hired to review and evaluate the questions and help the board analyze the results of the tests. CRESST may have devised a few of the questions, though this is unclear and in any event they would probably have been work for hire,

17 U.S.C. § 101, so that the school board would have owned the copyright anyway. § 201(b). Unsurprisingly, CRESST did not claim copyright in any part of the tests, and to resolve the squabble had assigned any copyright it might have in its analyses to the board.

All that remains to consider is the injunction. Remarkably, Schmidt does not question its scope or application. But because an injunction frequently affects third parties and consumes judicial resources, a court has an independent duty (*Marseilles Hydro Power, LLC v. Marseilles Land & Water Co.*, 299 F.3d 643, 647 (7th Cir.2002)) to assure that the injunctions it issues comply with the directive of Fed.R.Civ.P. 65(d) that injunctions "shall be specific in terms" and "shall describe in reasonable detail . . . the act or acts sought to be restrained." See, e.g., *Schmidt v. Lessard*, 414 U.S. 473, 476-77 (1974) (per curiam); *International Longshoremen's Ass'n, Local 1291 v. Philadelphia Marine Trade Ass'n*, 389 U.S. 64, 73-76 (1967).

The injunction flunks this test resoundingly. Cf. *Educational Testing Services v. Katzman, supra*, 793 F.2d at 544-45. The defendants are enjoined from "copying distribution of copies, making derivative copies, displaying copies an performing copies of the Board's examinations, including but not limited to the CASE examinations, whenever created by the Board." The first phrase—"copying distribution of copies"—is gibberish; probably there was meant to be an "or" between "copying" and "distribution." The reference to "displaying copies an[d] performing copies" is opaque since what is at issue is the copying itself and the publication of the copies, not display or performance. The inclusion in the injunction of all other examinations that the

school board may someday create (there is no sunset provision), an inclusion brought about by the phrase "including but not limited to the CASE examinations, whenever created by the Board," is overbroad. The school board may not own the copyrights in all its tests, even those it creates (work-for- hire copyright rights can be waived); not all its test questions may be intended to be reused; not all its tests may be secure tests.

This is an *appallingly* bad injunction. It must be modified to enjoin the defendants, and those in privity with them or with notice of the injunction, just from copying or publishing or otherwise distributing copies of secure Chicago public school tests, in whole or substantial part, in which the school board has valid and subsisting copyright, without the board's authorization. No evidentiary basis has been laid for a broader injunction.

The judgment is affirmed in part, and vacated in part, and the case is remanded for further proceedings consistent with this opinion, the parties to bear their own costs in this court.

A true Copy:
Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

APPENDIX D — FINAL JUDGMENT ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED JANUARY 22, 2003

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

NO. 99 C 440

MAGISTRATE JUDGE

EDWARD A. BOBRICK

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES, an Illinois municipal corporation,

Plaintiff,

vs.

SUBSTANCE, INC., an Illinois corporation, GEORGE N. SCHMIDT, *etc., et al.*,

Defendants.

FINAL JUDGMENT ORDER

Pursuant to the stipulation filed herein on January 21, 2003, a copy of which is attached hereto and incorporated herein by reference, the court finding that all issues and controversies in this cause have been determined by prior

rulings in the trial court or resolved to the mutual satisfaction of the parties through their stipulation herein referenced; now therefore;

IT IS HEREBY ORDERED:

1. That the plaintiff's claim for misappropriation of trade secrets (Count II of Amended Complaint) against the defendants, and either of them, be dismissed in its entirety with prejudice;

2. Judgment for damages on plaintiff's claim of copyright infringement (Count I of Amended Complaint) be entered in favor of plaintiff and against defendants, subject to the conditions of the stipulation attached hereto, in the amount of five hundred dollars ($500.00);

3. Execution on the judgment award is stayed without bond;

4. Each party shall bear his/its own attorney's fees and costs.

ENTER:

s/ Edward A. Bobrick
EDWARD A. BOBRICK
U.S. Magistrate Judge

DATE: Jan 22, 2003

APPENDIX E — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED AUGUST 20, 2002

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

Case No. 99 C 0440

Magistrate Judge Edward A. Bobrick

CHICAGO SCHOOL REFORM BOARD OF EDUCATION, an Illinois municipal corporation,

Plaintiff,

vs.

SUBSTANCE INC., et al.,

Defendants.

ORDER

This cause coming on to be heard on the Motion for Summary Judgment on liability and for Permanent Injunction, filed by plaintiff, the CHICAGO SCHOOL REFORM BOARD OF EDUCATION ("Board"), the Board having filed a two-Count Verified Complaint for copyright infringement and misappropriation of trade secrets against defendants, SUBSTANCE, INC. and GEORGE SCHMIDT (collectively "Defendants"), and

Appendix E

the Board having moved for judgment on the issue of liability on the copyright infringement claim and to permanently enjoin the Defendants from publishing any materials copyrighted by the Board without Board authorization, and

the Parties having fully briefed the Board's Motion, and the Court having read and considered the briefs, affidavits, depositions and exhibits submitted by the Parties, and

the Court having found that there are no issues of material fact, and that the Board is entitled to judgment on liability on the copyright claim and to a permanent injunction in this case

IT IS HEREBY ORDERED:

1. The Board has succeeded on the merits of its claims alleging willful copyright infringement against Defendants. A copy of this Court's Order, granting the Board Summary Judgment and a Permanent Injunction on its copyright infringement claims is attached hereto as Exhibit 1.

2. The Board has shown that is being, and will continue to be, irreparably harmed in its reputation and in the unauthorized publication and distribution of full copies of the Board's CASE examination to the public and that no adequate remedy at law could compensate the Board for the damage and injury to its reputation and to the CASE examinations.

3. The Board has shown that the harm to the Board will be far greater, if the injunctive relief requested is not granted, than the minimal harm to Defendants if they are enjoined as requested by the Board.

4. The Board has shown that it would be in the public interest to enter an order granting the Board the injunctive relief it requests, especially because Defendants have infringed, and have written and testified under oath that Defendants would continue to infringe, the Board's copyrights in the CASE and others of the Board's examinations.

5. Accordingly, this Court grants the Board's Motion for Permanent Restraining Order, enjoining Defendants, their agents, servants, affiliates, employees, representatives, predecessors, successors, assigns and all those in privity with or acting in concert with Defendants from:

a copying distribution of copies, making derivative copies, displaying copies an performing copies of the Board's examinations, including but not limited to the CASE examinations, whenever created by the Board;

b. holding themselves out as authorized publishers of the Board's examinations, including but not limited to the CASE examinations, whenever created by the Board.

Appendix E

ENTER:

s/ Edward A. Bobrick
Edward A. Bobrick
U.S. Magistrate Judge

DATE: August 20, 2002

APPENDIX F — MEMORANDUM ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED AUGUST 20, 2002

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 99 C 440

Edward A. Bobrick,
Magistrate Judge

CHICAGO BOARD OF EDUCATION,
an Illinois municipal corporation,

Plaintiff,

vs.

SUBSTANCE, INC., an Illinois corporation,
and GEORGE N. SCHMIDT *et al.*,

Defendants.

MEMORANDUM ORDER

Before the court is the motion of defendants Substance, Inc. and George Schmidt for "reconsideration" of this court's order of August 6, 2002 granting the plaintiff summary judgment, "pursuant to Fed.R.Civ.P. 59(e) and/or 60(b)."

Appendix F

Because defendants do not know what rule they are filing under and their motion was filed within ten days of the court's order, the motion is properly construed it as a Rule 59(e) motion. *Doe v. Howe Military School,* 227 F.3d 981, 992 (7th Cir.2000). Federal Rule of Civil Procedure 59(e) allows the movant to bring to the district court's attention a manifest error of law or fact, or newly discovered evidence. *Bordelon v. Chicago School Reform Bd. of Trustees,* 233 F.3d 524, 529 (7th Cir.2000). It "does not provide a vehicle for a party to undo its own procedural failures, and it certainly does not allow a party to introduce new evidence or advance arguments that could and should have been presented to the district court prior to the judgment." *Id.* Here, defendants claim the court misunderstood the facts and their arguments, but do not point to any errors of law or evidence discovered since the August 6 order.

Defendants' argument focuses on its Exhibits B and C, and the re-introduction of their "fraud on the copyright office" argument, which the court rejected as unfounded and struck as an affirmative defense in a previous order dated June 11, 2002. The court noted that the argument was not properly before it in the order that is the subject of the defendants' instant motion, but apparently to no avail. Defendants cannot now revive it with a Rule 59(e) motion.

Turning to the problems with defendants' exhibits, we note that in the first round of summary judgment briefing, defendants' Exhibits B and C consisted of two identical issues of the magazine *Substance, Inc.* Assuming that this was an error, the court gave defendants the opportunity to re-file Exhibit C. Defendant filed a new Exhibit C-the assignment

of rights from CRESST to the plaintiff-as well as a new Exhibit B and an Exhibit Q. Unlike the original Exhibit B, the new Exhibit B was a letter from CRESST to plaintiff which referred to negotiations which apparently led up to the assignment of rights. Obviously, defendants' haphazard method of filing exhibits is their own procedural error which cannot be corrected with a Rule 59(e). Beyond that, a negotiation letter predating the assignment of rights still does not demonstrate that CRESST retains the copyright to the test, no matter how many times the defendant suggests it does.

Defendants also-yet again-address previous rulings by Judge Norgle and Judge Darrah in this case. Defendants have already sought reconsideration of those rulings and were rejected. Another reconsideration of those rulings again here is inappropriate subject matter for a Rule 59(e) motion. Similarly, defendants also reintroduce their fair use defense but, for the *third time* in these proceedings, ignore the applicable law to such a defense:

> "the fair use of a copyrighted work, including such use by reproduction . . . for purposes such as criticism, comment, news reporting . . . is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the

> copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."

17 U.S.C. § 107. Notably, the amount of a work copied is but one of four factors to be considered: no single factor is dispositive. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578, 114 S.Ct. 1164, 1171 (1994). Defendants have thus far neglected these factors twice before this court, and once before Judge Norgle. In fact, review of the record in this case demonstrates that defendants essentially lost this case nearly three years ago before Judge Norgle and have been seeking reconsideration, in one form or another, ever since. No further motions for reconsideration, however styled, will be entertained by this court.

CONCLUSION

For the foregoing reasons, the defendants' motion for reconsideration is hereby DENIED.

ENTERED: s/ Edward A. Bobrick
EDWARD A. BOBRICK
U.S. MAGISTRATE JUDGE

DATE: August 20, 2002

APPENDIX G — MEMORANDUM ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED AUGUST 6, 2002

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

No. 99C440

Edward A. Bobrick,
Magistrate Judge

CHICAGO BOARD OF EDUCATION,
an Illinois municipal corporation,

Plaintiff,

vs.

SUBSTANCE, INC., an Illinois corporation,
and GEORGE N. SCHMIDT *et al.*,

Defendants.

MEMORANDUM ORDER

Before the court is the motion of plaintiff Chicago Board of Education for summary judgment against defendants Substance, Inc. and George Schmidt.

This case stems from the defendants' publication of certain copyrighted academic test materials—the Chicago

Appendix G

Academic Standards Examinations ("CASE")— in the newspaper *Substance, Inc.* Plaintiff alleges that the defendants' publication of certain academic test materials violated the United States Copyright Act ("Copyright Act"), 17 U.S.C. §§ 101 *et seq.*[1] Plaintiff seeks both injunctive and monetary relief. Defendants argue that the plaintiff has committed a fraud on the Copyright Office, has misled the court as to the portion of the test materials published, and that the plaintiff has "unclean hands."

I. FACTS

In this case, both parties have filed the required Local Rule 56.1[2] submissions to support their memoranda.

1. According to plaintiff, it has withdrawn its claim under the Illinois Trade Secret Act ("TSA"), 765 ILCS § § 1065/1 *et seq.* (*Memorandum in Support of Motion for Summary Judgment,* at 2 n. 1). A plaintiff who wishes to drop some claims but not others should do so by amending his complaint pursuant to Rule 15. *Bibbs v. Newman,* 997 F.Supp. 1174, 1177 (S.D.Ind.1998). It does not appear from the record that plaintiff has done so in this case. Because the matter is not developed in the record before the court, however, we do not address plaintiff's Count II trade secret claim in this order.

2. Rule 56.1(a) requires the party moving for summary judgment to file, among other items, a "statement of material facts as to which the moving party contends there is no genuine issue and that entitle the moving party to a judgment as a matter of law." Local Rule 56.1(a)(3). The required statement is to consist of short numbered paragraphs, including within each paragraph specific cites to the record which support the facts set forth. *Id.* Rule 56.1(b) then requires the opposing party to file among other items:

(Cont'd)

Appendix G

Defendant Schmidt was in plaintiff's employ from 1993 to 1999 when he taught at Bowen High School. He is now the president, editor, and a reporter for defendant *Substance, Inc.*, with which he has been associated for twenty years. While Schmidt was still teaching, the plaintiff began developing the CASE series, which consists of semester examinations in eleven subjects. The tests are administered to students in the first three years of high school. They were written by a group of about seventy Chicago public school teachers, who were paid for their efforts, along with personnel from the University of California.

Portions of CASE were administered in January of 1998, and again in June of 1999, as part of a pilot program.

(Cont'd)

> a concise response to the movant's statement that shall contain: (A) a response to each numbered paragraph in the moving party's statement, including, in the case of any disagreement, specific references to the affidavits, parts of the record, and other supporting materials relied upon, and (B) a statement, consisting of short numbered paragraphs, of any additional facts that require the denial of summary judgment, including references to the affidavits, parts of the record, and other supporting materials.

Local Rule 56.1(b)(3). Rule 56.1(b) further provides that "all material facts set forth in the statement required of the moving party will be deemed to be admitted unless controverted by the statement of the opposing party." *Id.* The district court, with the approval of the Seventh Circuit, has long enforced the requirements of these rules. *Markham v. White*, 172 F.3d 486, 490 (7th Cir.1999) (discussing Local General Rule 12, the predecessor to Rule 56.1).

Appendix G

All eleven subject tests were given in two forms in all Chicago public high schools in January of 1999; Schmidt administered the CASE test for English I at that time. The tests contained a notice that plaintiff had copyrighted them in 1998, and Schmidt had attended the meeting at which teachers were instructed as to administration and test security procedures. Shortly thereafter, Schmidt caused six of the subject tests—U.S. History, Algebra-Multiple Choice, Algebra-Constructed Response, World Studies, English I-Multiple Choice, and English I-Constructed Response—to be published in the January-February 1999 issue of *Substance, Inc.* That edition also contain a portion of the English I-Constructed Response Test answer key and the promise that future editions would include more tests. This was done without the plaintiff's authorization or permission.

On January 26, 1999, plaintiff filed its copyright with the United States Copyright Office, and filed suit against defendants.[3] Defendants answered with a counterclaim, and advanced seven affirmative defenses: (1) failure to state a claim upon which relief could be granted, (2) fair use,

3. Under 17 U.S.C. § 410, "when, after examination, the Register of Copyrights determines that, in accordance with the provisions of this title, the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of this title have been met, the Register shall register the claim and issue to the applicant a certificate of registration under the seal of the Copyright Office . . . In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court."

(3) protected free speech under the federal constitution, (4) protected free speech under the state constitution, (5) estoppel, (6) waiver, and (7) lacnes. Judge Norgle dismissed the counterclaim on January 4, 2000, and stuck the affirmative defenses of fair use and protected free speech. *Chicago School Reform Bd. of Trustees v. Substance,* 79 F .Supp.2d 919 (N.D.Ill.1999). Defendants filed a motion for reconsideration, which was denied on June 14, 2000. On October 24, 2001, defendants brought a motion to vacate Judge Norgle's order, which Judge Darrah denied. On May 24, 2002, defendants again revived these arguments in a motion for leave to file amendment to affirmative defenses. At that time, defendants sought to include the defenses of: (1) copyright misuse, (2) fraud on the copyright office, and (3) unclean hands. The court denied defendants' motion as unfounded on June 11, 2002.

II. ANALYSIS

A. *Summary Judgment*

Summary judgment is appropriate if "there is no genuine issue as to any material fact and . . . the moving party is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c). To ward off summary judgment by showing that there is a genuine dispute on a material fact, the non-moving party must do more than raise a "metaphysical doubt" as to the fact's existence. *Gleason v. Mesirow Fin., Inc.,* 118 F.3d 1134, 1139 (7th Cir.1997). The non-moving party cannot merely allege the existence of a factual dispute. *McPhaul v. Board of Com'rs of Madison County,* 226 F.3d 558, 563 (7th Cir.2000). That party must supply evidence sufficient to allow a jury to render a verdict in their favor. *Id.*

Appendix G

B. *Discussion*

To establish copyright infringement, a plaintiff must prove two elements: "1) ownership of a valid copyright, and 2) copying of constituent elements of the work that are original." *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 1296; *Susan Wakeen Doll Co., Inc. v. Ashton Drake Galleries*, 272 F.3d 441, 450 (7th Cir.2001). The issue of copying can be broken down into two sub-issues. The first is whether the alleged copier had access to the work that he is claimed to have copied; the second is whether, if so, he used his access to copy. *Ty, Inc. v. GMA Accessories, Inc.*, 132 F.3d 1167, 1169-1170 (7th Cir.1997).

The record before the court demonstrates that there are no genuine issues of material fact as to plaintiff's ownership of a valid copyright. The plaintiff has a certificate of registration from the U.S. Register of Copyrights which constitutes *prima facie* evidence of the validity of a copyright. *Wildlife Exp. Corp. v. Carol Wright Sales, Inc.*, 18 F.3d 502, 507 (7th Cir.1994). While a party may rebut this evidence, we note that defendants have failed to adequately do so. They do re-introduce their previously-rejected "fraud on the copyright office" argument, contending that the plaintiff was not the author of the tests. According to defendants, the plaintiff's had a principal collaborator, the National Center for Research on Evaluation, Standards and Student Testing ("CRESST"), which defendants apparently feel should have retained copyright ownership.[4] (*Defendants' Memorandum*

4. While, copyright ownership vests in the author of the work, there is, an allowance for "works made for hire." 17 U.S.C. § 201. (Cont'd)

in Opposition, 5). Defendants do not develop this argument, or explain or specify CRESST's participation in the CASE development. To support their argument, they merely cite to two exhibits, B and C. (*Defendants' Memorandum in Opposition,* at 5; *Defendants' Local Rule 56.1(b)(3)(B) Statement,* ¶¶ 4-10). Exhibit B is a complete edition of *Substance, Inc.,* some forty pages long. The defendants do not indicate what page or pages of the exhibit support their claims. Exhibit C is an assignment of rights from CRESST to the plaintiff. According to the document, CRESST assigned the plaintiff "all rights, title and interests" including, but not limited to "all copyrights in the Work and all derivative Works based on the Work." Defendants do not offer an explanation as to how this suggests that CRESST retained a copyright. Thus, rather than support its case against summary judgment, these citations, at best, confuse the issue; at worst, they aid plaintiff's case. It is not our function to scour the record in search of evidence to defeat a motion for summary judgment; the defendant must identify with reasonable particularity the evidence upon which he relies. *Bombard v. Fort Wayne Newspapers, Inc.,* 92 F.3d 560, 562 (7th Cir.1996);

(Cont'd)

If the work is made for hire, the owner is the employer or other person for whom the work was prepared. 17 U.S.C. § 201(b). The contours of the work for hire doctrine were restricted in *Community for Creative Non-Violence v. Reid,* 490 U.S. 730, 109 S.Ct. 2166 (1989). It was no longer sufficient that the hiring party had a right to control the work; courts were instructed to apply principles of the general common law of agency as a starting point for the analysis as to whether a work was a work made for hire. *See Harris Custom Builders, Inc. v. Hoffmeyer,* 92 F.3d 517, 518 (7th Cir.1996). As noted above, however, defendants have not adequately supported their contentions in this regard.

see also Hedrich v. Board of Regents of University of Wisconsin System, 274 F.3d 1174, 1178 (7th Cir.2001) (citations provided the court no guidance as to which factual propositions could be located where in the record). Here, the defendants have failed to do just that. Consequently, we cannot find that they have rebutted plaintiff's *prima facie* case of copyright validity.

As for the issue of copying, the defendants do not dispute that they copied the CASE tests. Instead, they submit that they copied only a portion of the tests. (*Defendants' Memorandum in Opposition,* at 7-11). They offer no explanation for how this excuses infringement, nor do they cite any case law. As such, the court can only assume that this is an attempt to resurrect their "fair use" affirmative defense.[5] This issue of "fair use", however, is no longer before

---

5. Under 17 U.S.C. § 107:

> "the fair use of a copyrighted work, including such use by reproduction . . . for purposes such as criticism, comment, news reporting . . . is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors."

(Cont'd)

the court: it has been rejected twice b Judge Norgle, once by Judge Darrah, and once by this cou. As a result, we are constrained to find that there is no genine issue of material fact regarding defendants' copyright ifringement. Plaintiff is, therefore, entitled to summary judment on defendants' liability.

C. *Injunctive Relif*

Plaintiff also seeks summary udgment as to its entitlement to injunctive relief. Beforehe court may award permanent injunctive relief, the plaintff must demonstrate (1) it has succeeded on the merits; (2) n adequate remedy at law exists; (3) it will suffer irrepaable harm without injunctive relief; (4) the irreparable hrm suffered without injunctive relief outweighs the irparable harm the defendants will suffer if the injunctio is granted; and (5) the injunction will not harm the public iterest. *Old Republic Ins. Co. v. Employers Reinsurance Crp.*, 144 F.3d 1077, 1081 (7th Cir.1998). Defendants do nooffer any arguments against plaintiff's request for a permaent injunction, other than to charge that the plaintiff comes efore the court with "unclean hands," based the plaintiff's rported fraud on the

(Cont'd)

Notably, the amount of a work copied is butne of four factors to be considered: no single factor is dispositive. *ampbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578, 114 S.Ct. 114, 1171 (1994). In their vain attempt to resurrect a stricken affirmive defense, however, defendants do not even mention the other tee factors. This is par for the course, however, for the first time defndants were challenged on this issue, they "never even recite[d] the ir use factors in any of their pleadings, much less discuss[ed] how ose factors weighed in their favor." *Chicago School Reform Bd.*, 7F.Supp.2d at 931.

copyright office. As defendant's motion to add "unclean hands" as an affirmative defense was denied, it is not properly before the court.

We turn, then, to the elements plaintiff must demonstrate to be entitled to injunctive relief. Plaintiff has succeeded on the merits. As for an adequate remedy law, injunctive relief of the nature sought is an appropriate remedy for copyright infringement. 17 U.S.C. §§ 502(a); 503(b). In addition, we note that defendant Schmidt has stated that he will "encourage the broadest possible dissemination" of the copyrighted materials at issue here. (*Plaintiff's Exhibits,* Ex. A, at 388). Injunctive relief, therefore, is necessary to prevent future harm, which would be irreparable, as the test questions would be unusable once they were published. Finally, we can find no harm to the public interest as a result of preventing that publication. Indeed, an injunction will serve the public interest by preserving the integrity of the test questions not already published, there by saving tax dollars that would be spent on further development. Accordingly, we find that the plaintiff is entitled to a permanent injunction in this case.

Appendix G

III. CONCLUSION

For the foregoing reasons, the plaintiff's motion for summary judgment is GRANTED. Plaintiff shall submit a draft order in compliance with Fed.R.Civ.P. 65(d) within 10 days of receipt of this order.

ENTERED: s/ Edward A. Bobrick
Edward A. Bobrick
U.S. MAGISTRATE JUDGE

DATE: August 6, 2002

APPENDIX H — DECISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS DATED JUNE 11, 2002 AND DOCKETED JUNE 12, 2002

UNITED STATES DISTRICT COURT,
NORTHERN DISTRICT OF ILLINOIS

Name of Assigned Judge or Magistrate Judge
Edward A. Bobrick

CASE NUMBER
99 C 440

DATE
6/11/2002

CASE TITLE
School Reform vs. Substance

* * *

DOCKET ENTRY:

* * *

(10) ■ [Other docket entry] Defendants' motion for leave to file amendment to affirmative defenses is denied, as stated in open court.

s/ Edward A. Bobrick

* * *

Appendix H

number of notices
5

date docketed
JUN 12 2002

docketing deputy initials
TH

date mailed notice
6/11/2002

mailing deputy initials
TH6

Document Number
87

✓ Notices mailed by judge's staff.

courtroom deputy's initials
TH✓

APPENDIX I — STATUS HEARING AND HEARING ON MOTION DATED JUNE 11, 2002

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS (Chicago)

Docket No. 99-C-440

Chicago, Illinois
June 11, 2002

CHICAGO SCHOOL REFORM BOARD,

Plaintiff,

v.

SUBSTANCE, INC., an Illinois corporation,

Defendant.

STATUS HEARING AND HEARING ON MOTION
BEFORE THE
HONORABLE MAGISTRATE JUDGE
EDWARD A. BOBRICK

* * *

THE CLERK: 99-C-440, Chicago School Reform Board vs. Substance.

THE COURT: Good morning, everybody.

CHORUS: Good morning, your Honor.

MR. M. BARINHOLTZ: Good morning, your Honor, Mark Barinholtz —

MR. A. BARINHOLTZ: Alan Barinholtz, your Honor.

MR. M. BARINHOLTZ: — for defendants.

THE COURT: And Mark and Alan Barinholtz.

MS. FELCH: Patricia Felch, F-e-l-c-h, on behalf of plaintiff.

THE COURT: Okay, Ms. Felch.

MS. LAURETO: And Nancy Laureto, L-a-u-r-e-t-o, on behalf of the plaintiff.

THE COURT: Okay. Well, before me this morning is the defendants' motion for leave to file amendment to their affirmative defenses, and Mr. Barinholtz, tell me what this is about. I've read everything.

MR. M. BARINHOLTZ: My understanding is we're here for a status. My intent in combining the filing of the motion with the response to the summary judgment was that the Court take those matters together. So —

THE COURT: Well, I'm going to rule on this this morning, so . . .

MR. M. BARINHOLTZ: Well, if you'd like to hear. I've read — skimmed their response. I thought we'd be given an opportunity to file a reply.

THE COURT: That won't be necessary. I think you make certain allegations concerning the legitimacy of their copyright.

MR. M. BARINHOLTZ: That's correct, and I think that their response, if I can just characterize it generally, is a dispute as to what inferences are to be drawn from the documents that we —

THE COURT: Well, how did you come to the conclusion they didn't have — they were not enjoying a copyright ownership? Whether it was a common law or a statutory copyright.

MR. M. BARINHOLTZ: Well, I don't think common law copyright comes into play here. That would only be involved in matters that are not fixed in a tangible — (inaudible, multiple voices).

THE COURT: Well, how do you come to the conclusion they didn't have a copyright? You mentioned something about there being some sort of dispute with respect to this California entity, and that detracted from their ownership interest.

MR. M. BARINHOLTZ: That's correct. And you can read that from the fact that the transfer document from Crest to the Board, which conveyed various copyrights, it's very clear what that document says, was not in existence or did not occur until two years after they registered their claim to the entire copyright.

But that's not all. If that was the only document, I would still say there was an inference that perhaps they didn't have sufficient rights to register the copyright in its entirety, but you've got —

THE COURT: Well, what's your understanding of this California relationship, the Crest proposition?

MR. M. BARINHOLTZ: Crest provided all kinds of authorships to the Board. That authorship was essential and vital to the Board in order that it own all of the rights bundled up in its copyright. It seems evident to me from the document itself that that's the fact. The document refers to written expressions that were incorporated into the CASE exams. Those are the matters that were not disclosed in Space No. 6. The fact that the Board did not have a transfer document from Crest at the time that it filed for its registration is evident by virtue of the date on the transfer document.

But in addition to that, we have from their own mouths themselves the letter of Marilyn Johnson saying to Crest, either you give us this transfer document, or we're going to fire you. And guess what? The reason we need it is because it's absolutely vital and essential so that we can continue prosecuting this copyright claim against George Schmidt and Substance. Their own words are what damn them in this situation.

THE COURT: All right, counsel?

MS. LAURETO: Your Honor, this is the most outrageous written paper filed by opposing counsel. It's

almost defamatory. There's absolutely no reason for them to have brought this. The assignments that are referenced in the copyright registration are those by the people who weighed the questions, and those are Chicago Public School employees and independent contractors. We disclosed and produced to them some 57 assignments, your Honor, and why they have conjured up this crazy idea that we need a Crest assignment when Crest's responsibility was really to consult on the questions, to evaluate them, and to give us suggestions for the future.

The reason we needed the assignment was to make sure that we owned all rights in future tests, not the ones that are at issue in this case.

MS. FELCH: And there's no question that Crest did not write any of those questions. That's what was copyrighted. And that's what was published in (inaudible), the tests. Crest did not write the tests. They wrote analyses of these. They wrote recommendations for future questions, but not these questions. They couldn't own anything. And of course (inaudible) not about the request.

THE COURT: Well, I'm going to rule, and I agree with everything that the plaintiffs have to say, in particular characterizing this motion. You fellows are bordering on sanctionable conduct because I merely have to read the letter dated July 28th, 2000, from the Chicago Board of Education to Ms. Brennan, and it says:

> "As part of this process, we (inaudible) Crest to provide case test evaluation and critique services

to the Office of Accountability for the annual fee of 5,000."

The letter goes on to identify that Crest was supposed to perform evaluations, see if the questions worked or not, nothing more than that. They had no authorship interest in this other than evaluation.

You had this letter for some time. It's clear that the information was available to you for some time. The motion is without substance or merit and will be denied, and additionally, it's untimely. You had this for a period of time in any event, and so the motion —

MR. M. BARINHOLTZ: (Inaudible).

THE COURT: The motion is denied. The motion is denied.

MR. M. BARINHOLTZ: Just to clarify the record, your Honor? We received this document not from counsel. We received this document from Crest, probably in the last six months, and until counsel verified that this document came from them about a month ago, this would be —

THE COURT: The document speaks for itself.

MR. M. BARINHOLTZ: But —

THE COURT: They were performing consultant services. They weren't creating any copyright material.

MR. M. BARINHOLTZ: Judge —

THE COURT: And so the motion is denied. Period.

MS. FELCH: Thank you, your Honor.

MS. LAURETO: Thank you.

THE COURT: Okay.

(Hearing adjourned.)

APPENDIX J — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED OCTOBER 30, 2001 AND DOCKETED OCTOBER 31, 2001

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

Name of Assigned Judge or Magistrate Judge
John W. Darrah

CASE NUMBER
99 C 440

DATE
10/30/2001

CASE TITLE
CHICAGO SCHOOL REFORM BOARD vs. SUBSTANCE, INC.

* * *

DOCKET ENTRY:

* * *

(10) ■ [Other docket entry] Defendants' motion to vacate and/or reconsider dismissal of certain affirmative defenses is denied.

* * *

Appendix J

✓ Docketing to mail notices.

date docketed
OCT 31 2001

docketing deputy initials
JM

Document Number
54

APPENDIX K — TRANSCRIPT OF PROCEEDINGS DATED OCTOBER 30, 2001

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

99 CV 440

Chicago, Illinois
October 30, 2001
9:30 a.m.
Motion

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES, an Illinois municipal corporation,

Plaintiff,

v.

SUBSTANCE, INC., an Illinois corporation, et al.,

Defendants.

TRANSCRIPT OF PROCEEDINGS

BEFORE THE HONORABLE JOHN W. DARRAH

Appendix K

THE CLERK: 99 C 440, Chicago School Reform versus Substance.

MS. FELCH: Good morning, Your Honor. Patricia Felch, F, as in Frank, e-l-c-h, for the plaintiff.

THE COURT: Good morning, Miss Felch.

MS. DE MOOR: And Laura DeMoor for the plaintiff, D-e-m-o-o-r.

MR. ALAN BARINHOLTZ: Good morning, Your Honor. Alan and Mark Barinholtz, B-a-r-i-n-h-o-l-t-z, on behalf of Substance and George Schmidt.

THE COURT: This matter comes on this morning on defendant's motion to vacate and/or reconsider dismissal of certain affirmative defenses. I've read the motion. I've read the memorandum in support of it. And there is no authority for the relief you seek. The motion is denied, counsel.

MS. FELCH: Thank you, Your Honor.

MS. DE MOOR: Thank you, Your Honor.

APPENDIX L — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED JUNE 14, 2000

No. 99 C 440

HONORABLE CHARLES R. NORGLE

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES, an Illinois Municipal Corporation,

Plaintiff,

v.

SUBSTANCE, INC., an Illinois Corporation; GEORGE N. SCHMIDT, individually; JANE or JOHN DOES (ONE through TWENTY), individually, and VOLUMES XXIV, NOS. 5 and 6 of SUBSTANCE (January-February, 1999), *in rem*,

Defendants.

SUBSTANCE, INC., an Illinois Corporation; and GEORGE N. SCHMIDT,

Third-Party Plaintiffs,

v.

PAUL VALLAS, Chief Executive Officer, Chicago Public Schools, in his official capacity,

Third-Party Defendant.

Appendix L

ORDER

CHARLES R. NORGLE, SR., District Judge:

I. Introduction

On January 14, 2000, Defendants filed a motion to reconsider this court's Opinion and Order of January 4, 2000 in which the court granted Plaintiff's Motion to Dismiss Defendants' Counterclaim and Third-Party Complaint and to Strike Three Affirmative Defenses. (*See* Opinion and Order of January 4, 2000.) Defendants "move the Court pursuant to [Federal Rule of Civil Procedure] 59(e) and/or 60(b)." (*See* Mot. at 1.) Rule 59(e) requires filing within 10 days after entry of the judgment (*see* Fed. R. Civ. P. 59(e)), and Federal Rule of Civil Procedure 6(a) states that "[w]hen the period of time prescribed or allowed is less than 11 days, intermediate Saturdays, Sundays, and legal holidays shall be excluded in the computation." Fed. R. Civ. P. 6(a). Because Defendants filed and served their motion on January 14, 2000, within 10 days of the court's January 4, 2000 Order, Defendants' motion is a Rule 59(e) motion.

II. Discussion

"While Rule 59(e) permits parties to bring to the court's attention errors so they can be corrected without the costs associated with appellate procedure, '[t]he rule does not provide a vehicle for a party to undo its own procedural failures, and it certainly does not allow a party to introduce new evidence or advance arguments that could or should have been presented to the district court prior to the judgment.'"

Popovitz v. Circuit City Stores, Inc., 185 F.3d 726, 730 (7th Cir. 1999) (quoting *Moro v. Shell Oil Co.*, 91 F.3d 872, 876 (7th Cir.1996)). "However, if an issue arises to which a party does not have the opportunity to respond, granting the motion to amend may be appropriate." *Id.* (citing *In re Prince*, 85 F.3d 314, 324 (7th Cir.1996)). Additionally, the Seventh Circuit has stated that "A claimant can invoke the rule to direct a court's attention to matters such as newly discovered evidence or a manifest error of law or fact." *Russell v. Delco Remy Div. of Gen. Motors Corp.*, 51 F.3d 746, 748 (7th Cir. 1995) (citing *Bank of Waunakee v. Rochester Cheese Sales, Inc.*, 906 F.2d 1185, 1191-92 (7th Cir.1990)).

Defendants first point to their September 29, 1999 Memorandum on the Issues of Bifurcation, Severance or "Trial Splitting" ("Bifurcation Memorandum")[1] and assert that the Bifurcation Memorandum contains arguments that should have been considered by the court when it addressed the Motion to Dismiss Counterclaim and Third Party Complaint. (*See* Mot. at 2-3.) Specifically, Defendants state:

> As it appears that the Court overlooked this pleading [the Bifurcation Memorandum] in reaching the conclusion that "[d]efendants never even recite the fair use factors in any of their pleadings, much less discuss how those factors weigh in their favor", Defendants would

1. On September 23, 1999, the court ordered the parties to brief the issue of whether to proceed to trial on severed counts. On September 29, 1999, the parties submitted their respective briefs on this issue, and the court has yet to rule.

> respectfully request that the Court reconsider its decision striking Affirmative Defense 2 – Fair Use in light of the arguments presented in Defendants' memorandum on bifurcation.

(*See* Mot. at 3.) Defendants also attach their entire Bifurcation Memorandum to their current motion.[2] (*See* Mot., Attachment.) Thus, Defendants apparently argue that the court erred when it failed to consider Defendants' arguments presented in their Bifurcation Memorandum. However, Defendants cite no authority requiring a court to search the record for previously raised arguments that may support a position asserted pursuant to specific motion. Notably, Defendants could have raised their Bifurcation Memorandum arguments in their Sur-reply, but did not. And finally, upon review of the Bifurcation Memorandum, the court finds that it offers nothing that leads the court to conclude that it based its Opinion and Order of January 4, 2000 on an error of law or fact.

Defendants next argue that the court erred when it failed to follow *Triangle Pubs., Inc. v. Knight-Ridder Newspapers, Inc.*, 445 F. Supp. 875 (S.D. Fla. 1978). (*See* Mot. at 3 (quoting Opinion and Order of Jan. 4, 2000 at 15, but failing to actually cite the 1978 Southern District of Florida case.)) *Triangle Pubs.* states, "[w]hen the Copyright Act and the First Amendment . . . operate at cross purposes, the primacy of the First Amendment mandates that the Copyright be deprived of effectuation." 445 F. Supp. at 882. But, the court discussed

2. Defendants' attachment of its Bifurcation Memorandum to its Rule 59(e) motion violates Local Rule 7.1, which limits briefs in support of any motion to 15 pages. *See* Local Rule 7.1.

why *Triangle Pubs.* does not control the current case in its January 4, 2000 Opinion and Order. See Opinion and Order at 15-16. Moreover, Defendants fail to cite even one case in their Motion and again point to arguments presented in their Bifurcation Memorandum. And while the court need not examine arguments raised in an unrelated briefing, the court again emphasizes that it finds nothing in Defendants' Bifurcation Memorandum that indicates that the court erred in its analysis. (*See* Opinion and Order of Jan. 4, 2000 at 20-27.)

Finally, Defendants assert, in a one-sentence, unsupported argument, that Defendants' Counterclaim and Third-Party Complaint are so intertwined with Defendants' Freedom of Speech and Freedom of the Press arguments that they must be reconsidered. (*See* Mot. at 4.) Having found no merit in Defendants' prior arguments, the court finds no basis to alter its holding regarding Defendants' Counterclaim and Third-Party Complaint.

In sum, Defendants offer a confusing brief, unsupported by any case or statutory law, that fails to point to evidence that the court should have considered but did not. Defendants fail to point to specific errors in the court's Opinion and Order of January 4, 2000 and simply argue that the court erred in its conclusions. The court, however, finds nothing to indicate that the court erred in its analysis.[3] Accordingly, the court denies Defendants' Rule 59(e) Motion.

---

3. Significantly, Defendants do not argue that this motion is better decided pursuant to a motion for summary judgment; indeed the court found otherwise. (*See* Opinion and Order of Jan. 4, 2000

(Cont'd)

Appendix L

III. Conclusion

For the reasons stated above, the court denies Defendants' Rule 59(e) Motion.

IT IS SO ORDERED.

ENTER:
s/ Charles Ronald Norgle, Sr.
CHARLES RONALD NORGLE, SR., Judge
United States District Court

DATED: 6/14/2000

(Cont'd)
at 39-40.) The court notes that the court's analysis does not change if Schmidt is an employee of Substance, Inc. rather than its owner (as the court stated twice in its Opinion and Order of Jan. 4, 2000 at 10 and 23). (*See* Def. Reply at 3, n.1.) Substance, Inc. is an incorporated newspaper presumably in business for profit and Schmidt thus benefits financially from being either an employee or an owner of Substance, Inc. Moreover, regardless of Schmidt's status, Defendant Substance, Inc. benefits financially from the sale of its newspapers.

APPENDIX M — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED JANUARY 4, 2000

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

No. 99 C 440

HONORABLE CHARLES R. NORGLE

CHICAGO SCHOOL REFORM BOARD OF TRUSTEES, an Illinois Municipal Corporation,

Plaintiff,

v.

SUBSTANCE, INC., an Illinois Corporation; George N. Schmidt, individually; Jane or John Does (One through Twenty), individually, and Volumes XXIV, Nos. 5 and 6 of Substance (January-February, 1999), *in rem*,

Defendants.

Appendix M

SUBSTANCE, INC., an Illinois Corporation; and GEORGE N. SCHMIDT,

Third-Party Plaintiffs,

v.

PAUL VALLAS, Chief Executive Officer, Chicago Public Schools, in his official capacity,

Third-Party Defendant.

OPINION AND ORDER

CHARLES R. NORGLE, SR., District Judge.

Plaintiff Chicago School Reform Board of Trustees and Third-Party Defendant Paul Vallas move to dismiss Defendants' Counterclaim and Third-Party Complaint and to strike three of Defendants' Affirmative Defenses. For the following reasons, the court grants the motion.

I. Background[1]

The Illinois Common Schools Act empowers the Plaintiff in this case, the Chicago School Reform Board of Trustees

1. The court compiles the background facts from the Amended Verified Complaint, Answer, and pleadings and notes that "[a]verments in a pleading to which a responsive pleading is required . . . , are admitted when not denied in the responsive pleading." Fed.R.Civ.P. 8(d); *see also* Fed.R.Civ.P. 8(b). Disputed points are noted in the text.

("the Board"), to develop and administer educational level tests. *See* 105 ILCS § § 5/34-2.4, 5/34-3.3. Pursuant to this authority, the Board developed the 1998 Chicago Academic Standards Examinations ("CASE" or "tests"). The Board designed the tests to assess the educational levels of Chicago Public High School freshman and sophomore students, and to calculate up to 20% of a student's grade in various academic subjects. The Board expected to use the tests, 22 in all, in 1999 and in future years. (*See* Am.Compl. ¶ 13.)

According to the Board, the tests cost approximately $1.3 million to develop. Of this cost, the John D. and Catherine T. MacArthur Foundation contributed $500,000 from a fund that was "dedicated to pay for the professional testing design services of the Center for Research on Evaluation, Standards, and Student Testing [and] to assist [the Board] in designing CASE." (*Id.* ¶ 10.) Illinois taxpayers funded the remaining $800,000. (*See id.*)

To protect its interest in the tests, the Board included a copyright notice on each of the 22 tests. That notice reads:

> © 1998 Chicago School Reform Board of Trustees

(Answer ¶ 17.) Each of the tests also contains the following restriction:

> This work may not be reproduced in any form or by any means (electronic, including photography, recording, or any information storage and retrieval) without prior permission in writing from the Chicago Public Schools.

(*Id.*) Additionally, the Board implemented the "Chicago Public Schools Test Security Guidelines," which required the Guidelines to be distributed to all staff members who handle test materials. These Guidelines, as well as the CASE General Administration Policies, expressly prohibit copying the CASE examinations.

The Board administered the tests to students from January 11, 1999 through January 15, 1999. (*Id.*) Defendant George Schmidt ("Schmidt"), a Chicago Public School teacher and editor of Defendant newspaper *Substance, Inc.* ("*Substance* "),[2] helped administer the January 1999 test for freshman English. (*See id.* ¶ 22.) Prior to administering the test, Schmidt received a copy of a booklet entitled "Instructions for Administering the CASE Constructed Response and Multiple Choice Examination." (*See id.* ¶ R4.) The Instructions state in large, bold type: "**According to the Test Security Guidelines, CASE material may not be duplicated.**" (*Id.* ¶ 25.)

During the week of January 11, 1999, Schmidt asked Bowen High School's CASE coordinator, Judy Wiatrowski, for copies of an unspecified number of tests for subject areas other than freshman English. Wiatrowski provided him the requested copies, and Schmidt returned them to her shortly thereafter. However, in their Counterclaim and Third Party Complaint (collectively "Counterclaims"), Schmidt and

---

2. Defendants state that *Substance* currently has 1,250 subscribers and publishes approximately 3,000 copies monthly (*see* Counterclaims ¶ 10.) *Substance's* primary purpose is to inform the public of educational issues, including matters relating to the Chicago Public Schools. (*See id.* ¶ 11-12.)

Substance ("Defendants") maintain that "[i]n January 1999, [they] received, through anonymous sources, copies of some of the [CASE] pilot B Examinations." (Countercl.¶ 13.)[3] Defendants assert that an anonymous source left one test on *Substance's* doorstep, although the court notes that Defendants share the same address. (*See id.*) Defendants also claim that several other tests were delivered in plain envelopes to *Substance's* mailbox. (*See id.*) On or before January 21, 1999, Schmidt published, in the January-February, 1999 issue of *Substance* (Volumes XXIV, Nos. 5 and 6), entire copies of five of the tests and a substantial portion of a sixth. (*See* Answer ¶ 27.) In two of the test reproductions, Schmidt included the copyright notice and the "no reproduction" restriction. (*See id.* ¶ 28.) As for the other four reproductions, Schmidt deleted the copyright notice and the "no reproduction" restriction. (*See id.*) In the same issue of *Substance* that included copies of the tests, Schmidt criticized the tests.

On January 26, 1999, the Board filed a verified Complaint against Schmidt, *Substance,* Jane or John Does (One through Twenty), and Volumes XXIV, Nos. 5 and 6 of *Substance* (January-February, 1999), *in rem.* Also on January 26, 1999, the Board moved for a Temporary Restraining Order and Writ of Seizure to restrain Defendants from copying or disseminating any of the CASE tests in any format, and to give up for seizure any and all copies of Substance

---

3. Defendants attached their Affirmative Defenses and Counterclaims to their Answer at pages 26 and 27-32, respectively. For clarity, the court will cite to the Affirmative Defenses and Counterclaims when referring to those pleadings and not to the Answer.

Volume XXIV, Nos. 5-6 (January-February 1999). The court granted the Board's motion on the same day. On February 1, 1999, the Board sought to extend the temporary restraining order. The court denied the Board's request.

On February 5, 1999, the Board filed an Amended Verified Complaint. Count I alleges that Defendants published the Board's copyrighted literary works, *see* 17 U.S.C. § 102(a)(1), and thus violated the United States Copyright Act ("Copyright Act"), 17 U.S.C. §§ 101 *et seq.*, and Count II claims that Defendants misappropriated trade secrets in violation of Illinois' trade secret statutes, 765 ILCS §§ 1065/1 *et seq.* (*See* Am.Compl. at 8-14.) The Board maintains that by publishing the tests, Defendants divulged confidential materials and destroyed the Board's future use of the tests. The Board asserts that developing more tests to replace the now-unusable tests will cost in excess of $1,000,000. (*See id.* ¶ 49.) The Board asks the court (1) to enjoin Defendants from continuing to publish and deliver issues of *Substance* which contain reproductions of the tests; (2) to order the seizure and destruction of all copies of *Substance* in which the tests were reproduced; (3) to report the conduct of Defendants and other "Teacher-Publishers" to the United States Attorney for the Northern District of Illinois, Eastern Division, pursuant to section 506 of the Copyright Act; (4) to award the Board damages, attorneys fees and costs, pursuant to the Copyright Act; (5) to award the Board damages, punitive damages, attorneys fees and costs, and prejudgment interest pursuant to the Illinois Trade Secrets Act; and (6) for other relief the court deems appropriate. (*See id.* at 14-18.)

Appendix M

On February 23, 1999, the court entered the parties' agreed protective order, requiring Defendants to deliver all copies of the tests and all copies of Substance that contained reproductions of the tests to the Board. (*See* Agreed Protective Order ¶ 12.) Defendants also agreed to make no new copies of the tests until further court order. (*See id.* ¶ 13.) In the meantime, the Board transferred Schmidt from his teaching position to an administrative position, and then, on March 5, 1999, suspended him without pay pending an Illinois State Board of Education hearing regarding his termination. (*See* Counterclaims ¶ 16.)

On April 2, 1999, Defendants answered the Amended Verified Complaint. In their Answer, Defendants assert the following affirmative defenses: (1) Counts I and II fail to allege valid claims under Federal Rule of Civil Procedure 12(b)(6); (2) Defendants' reproductions of the tests are privileged under the doctrine of fair use, 17 U.S.C. § 107; (3) Defendants' reproductions of the tests are privileged under the First and Fourteenth Amendments; (4) Defendants' reproductions of the tests are privileged by the "Free Speech and Press provisions of applicable state constitutions"; (5) the Board's action is barred by estoppel; (6) the Board's action is barred by waiver; and (7) the Board's action is barred by laches. (*See* Answer at 26.)

In the same pleading, Defendants filed their Counterclaims, pursuant to 42 U.S.C. § 1983. *See* Counterclaims reproduced *infra* p. 34. In those Counterclaims, Defendants allege that the Board's participation in the decision-making process regarding Schmidt's employment and its filing of the instant suit

violates Defendants' substantive due process rights under the First and Fourteenth Amendments.[4] (*See* Countercl. ¶ 19-21.) Additionally, Defendants add Paul Vallas, Chief Executive Officer of the Chicago Public Schools, in his official capacity, as a third-party defendant. (*See* Countercl. ¶ 3.) Defendants ask the court to: (1) declare the actions of the Board and Vallas violative of the First Amendment; (2) enjoin the Board and Vallas from taking future discriminatory employment action against Schmidt; (3) return Schmidt to his job as a Chicago Public School teacher; and (4) award Schmidt punitive damages of over $1,000,000. (*See* Countercl. at 31.)

On May 10, 1999, the Board and Vallas moved to dismiss Defendants' Counterclaim and Third-Party Claims and moved to strike Defendants' Second, Third, and Fourth Affirmative Defenses (from this point forward, the court refers to both movants simply as "the Board"). The Board argues that the court should dismiss: (1) Defendants' Counterclaim for failing to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6) because the First Amendment does not protect copyright infringement; (2) Defendants' Counterclaim and Third-Party Complaint to the extent that they allege violations of Schmidt's due process rights under the Fourteenth Amendment because they fail to state claims under Rule 12(b)(6); and (3) Defendants' Third-Party Complaint against Vallas, in his official capacity,

---

4. In its Motion to Dismiss, the Board assumed that Defendants assert procedural due process violations in their Counterclaims. However, in their Memorandum in Opposition, Defendants clarify that they allege substantive, and not procedural, due process violations. (*See* Mem. in Opp. at 15.)

because Defendants improperly named him as a third-party defendant. (*See* Mem. in Supp. at 8.) The Board also asks the court to strike Defendants' Second, Third, and Fourth Affirmative Defenses because the First Amendment does not protect copyright infringement, and because Defendants cannot show that their use of the tests is a fair use under the Copyright Act. (*See id.* at 5.)

In their Memorandum in Opposition to the Motion to Dismiss, Defendants admit that "Defendant *Substance* has published a small portion of plaintiff's copyrighted Work." (Mem. in Opp. at 3); (*see also* Mem. in Opp. at 13) ("[Defendants'] First Amendment rights to publish a newspaper are paramount to the Board's asserted copyright and thus avoid the normal legal consequences for a copyright violation.") Defendants argue, however, that "[t]his dispute centers around whether [the Board] may use the federal Copyright Act as a means to suppress public access to and debate over purported standardized tests. . . ." (Mem. in Opp. at 3.) Defendants proceed to address the First Amendment/ Copyright issue only as it applies to their Second, Third, and Fourth Affirmative Defenses, because "[the Board's] Motion and Memorandum . . . raise issues that seem, at least to Defendants, to call into question the legal sufficiency of certain of Defendants' Affirmative Defenses." (Mem. in Opp. at 2.) Defendants then apparently argue that their Counterclaims state a First Amendment violation claim because even if Defendants violated the copyright laws, the Board violated Schmidt's First Amendment rights by taking disciplinary action against Schmidt. (*See* Mem. in Opp. at 12-15.) Defendants also state that their use of the tests is a fair use, (*see* Mem. in Opp. at 8), and maintain that the Board

cannot discipline Schmidt because his actions constituted speech on a matter of public concern. (*See* Mem. in Opp. at 14.) Next, Defendants contend that their Counterclaims state a violation of their substantive due process rights, and that "it was necessary for [Defendants] to plead the First Amendment rights as also being Fourteenth Amendment rights, redress for which is sought through § 1983." (*See* Mem. in Opp. at 16.) With regard to naming Vallas as a third-party defendant, Defendants admit they mistakenly failed to name him in his individual capacity in their Third-Party Complaint. (*See* Mem in Opp. at 16.) Nevertheless, Defendants argue that because they ask the court to order Vallas, as well as the Board, to reinstate Schmidt as a Chicago Public School teacher, Defendants properly named Vallas in his official capacity. (*See* Mem. in Opp. at 16.) After the Board replied to Defendants' Response, Defendants filed a Sur-reply.

II. Discussion

A. Motion to Dismiss Standard

When reviewing a motion to dismiss under Rule 12(b)(6), the court merely looks at the sufficiency of the complaint, *Autry v. Northwest Prem. Servs., Inc.*, 144 F.3d 1037, 1039 (7th Cir.1998); it does not decide whether the plaintiff has a winning claim. *Herdrich v. Pegram, M.D.*, 154 F.3d 362, 369 (7th Cir.1998). Accordingly, "[a] complaint may not be dismissed unless 'it is impossible to prevail under any set of facts that could be proved consistent with the allegations.' " *Moriarty v. Lewis Funeral Directors, Ltd.*, 150 F.3d 773, 777 (7th Cir.1998)

(*quoting Hishon v. King & Spalding,* 467 U.S. 69, 73 (1984)); *see also Marshall-Mosey v. Corporate Receiv., Inc.,* 194 F.3d 830, 833 (7th Cir.1999) ("Dismissal under Rule 12(b)(6) is proper only where the plaintiff can prove no set of facts that would entitle him to relief."). The court "must look to see whether there is any possible interpretation of the complaint under which it can state a claim." *Martinez v. Hooper,* 148 F.3d 856, 858 (7th Cir.1998); *see also Sanjuan v. American Bd. of Psychiatry and Neurology, Inc.,* 40 F.3d 247, 251 (7th Cir.1994) ("At this stage, the plaintiff receives the benefit of imagination, so long as the hypotheses are consistent with the complaint."). "Complaints need not plead law or match facts to every element of a legal theory. . . ." *Bennett v. Schmidt,* 153 F.3d 516, 518 (7th Cir.1998). "Matching facts against legal elements comes later." *Sanjuan,* 40 F.3d at 251. The court will deny a Rule 12(b)(6) motion to dismiss where the defendant merely "attempts to nit-pick the complaint to death." *LaSalle v. Medco Research, Inc.,* 54 F.3d 443, 447 (7th Cir.1995).

However, the Seventh Circuit has also stated that "[a] complaint must contain either direct or inferential allegations respecting all the material elements necessary to sustain a recovery under some viable legal theory." *Herdrich,* 154 F.3d at 369. "'It is true that the Federal Rules of Civil Procedure do not require a plaintiff to set out in detail the facts upon which a claim is based. Nevertheless, a plaintiff must allege sufficient facts to outline a cause of action, proof of which is essential to recovery.'" *Stevens v. Umsted,* 131 F.3d 697, 700 (7th Cir.1997) (*quoting Ellsworth v. City of Racine,* 774 F.2d 182, 184 (7th Cir.1985)). In other words, "[w]hile federal notice-pleading allows for a generous

reading of a complaint, in order to resist a motion to dismiss, the complaint must at least set out facts sufficient to 'outline or adumbrate' the basis of the claim." *Panaras v. Liquid Carbonic Indust. Corp.*, 74 F.3d 786, 792 (7th Cir.1996). For instance, "attaching a bare legal conclusion to the facts" will not suffice. *Id.* Moreover, although "[a] complaint may not be dismissed under Fed.R.Civ.P. 12(b)(6) just because it omits factual allegations . . . it may be dismissed when the plaintiffs make it clear that they do not plan to prove an essential element of their case." *La Porte County Republican Cent. Comm. v. Bd. of Commiss.*, 43 F.3d 1126, 1129 (7th Cir.1994). With these principles in mind, the court turns to the Board's Motion to Dismiss.

B. The First Amendment Does Not Protect Copyright Violators

Section 106 of the Copyright Act outlines the rights of owners of copyrighted materials:

> Subject to sections 107 through 121, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
>
> (1) to reproduce the copyrighted work in copies or phonorecords;
>
> (2) to prepare derivative works based upon the copyrighted work;
>
> (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other

> transfer of ownership, or by rental, lease, or lending;
>
> (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
>
> (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
>
> (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

17 U.S.C. § 106.[5] Because Defendants admit that "Defendant *Substance* has published a small portion of plaintiff's copyrighted Work [,]" (*see* Mem. in Opp. at 3), they admit they infringed upon the Board's exclusive right to reproduce the copyrighted tests, and thus violated § 106(1) of the Copyright Act. *See* 17 U.S.C. § 106(1). Thus, the issue before the court is quite narrow: Whether the First Amendment permits a Chicago Public School teacher to publish, in his

---

5. The court notes that the Copyright Act's principal purpose is to promote the progress of the "useful Arts" by rewarding creative activity. *See Quality King Dist., Inc. v. L'anza Research Int'l, Inc.*, 523 U.S. 135, __, 118 S.Ct. 1125, 1133 (1998). Nevertheless, the Act's protections clearly apply to the case at bar.

own for-profit newspaper, copyrighted tests as a means to generate public debate over the tests' validity. The court finds that the First Amendment affords no such protection.

The First Amendment provides: "Congress shall make no law ... abridging the freedom of speech, or of the press...." U.S. Const. amend. I. And while "[g]reat responsibility is ... placed upon the news media to report fully and accurately the proceedings of government," *Cox Broadcasting Corp. v. Cohn*, 420 U.S. 469, 491-492 (1975); *see also Wilson v. Layne*, 526 U.S. 603, __, 119 S.Ct. 1692, 1698 (1999), the First Amendment's freedoms are not boundless. Indeed, in *Cohen v. Cowles Media Co.*, 501 U.S. 663 (1991), the Supreme Court iterated that it has repeatedly recognized that "generally applicable laws do not offend the First Amendment simply because their enforcement against the press has incidental effects on its ability to gather and report the news." *Id.* at 669-70 (*citing Branzburg v. Hayes*, 408 U.S. 665, 684 (1972) (press must respond to grand jury subpoenas); *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 576-579 (1977) (press must obey copyright laws); *Associated Press v. NLRB*, 301 U.S. 103 (1937) (media must obey the National Labor Relations Act); *Oklahoma Press Pub Co. v. Walling*, 327 U.S. 186, 192-193 (1946) (press must obey the Fair Labor Standards Act); *Associated Press v. United States*, 326 U.S. 1 (1945) (press may not restrain trade in violation of the antitrust laws); *Citizen Publ. Co. v. United States*, 394 U.S. 131, 139 (1969) (same); *Murdock v. Pa.*, 319 U.S. 105, 112 (1943) (press must pay

non-discriminatory taxes); *Minneapolis Star & Tribune Co. v. Minnesota Comm'r of Revenue,* 460 U.S. 575, 581-583 (same)).[6]

In *Cohen,* a confidential source of information sued two newspapers under a promissory estoppel theory after the newspapers broke their promises to the source not to publish his identity. *See id.* at 665-66. In addressing the press's First Amendment rights, the Court stated:

> It is . . . beyond dispute that "[t]he publisher of a newspaper has no special immunity from the application of general laws. He has no special privilege to invade the rights and liberties of others." *Associated Press v. NLRB, supra,* 301 U.S., at 132-133, 57 S.Ct., at 655-656. Accordingly, enforcement of such general laws against the press is not subject to stricter scrutiny than would be applied to enforcement against other persons or organizations.

---

6. As an aside, the court notes that the traditional defenders of First Amendment freedoms, the press, themselves rely on the Copyright Act's protections. For example, in its January 3, 2000 issue, the *Chicago Tribune* inserts the line "153 Year—No. 3 © Chicago Tribune 6 Sections" just beneath the newspaper's front-page heading, and on page four states, "Copyright © 1999 Chicago Tribune Company. All rights reserved as to the entire content. Chicago Tribune is a registered trademark." *Chicago Tribune,* January 3, 2000, at 1, 4. The January 3, 2000 issue of the *Chicago Sun-Times* states, "The Chicago Sun-Times Vol. 53, No. 285 © 1999 (UPS No. 103-920) is published daily . . . by Chicago Sun-Times, Inc. . . ." *Chicago Sun-Times,* January 3, 2000, at 2.

Id. at 670. The Court held that the First Amendment does not forbid Minnesota's promissory estoppel law from applying to the press. *See id.*

Importantly, the Court plainly stated that, like Minnesota's promissory estoppel law, copyright law is a "generally applicable law" that limits First Amendment freedoms: "The press, like others interested in publishing, may not publish copyrighted material without obeying the copyright laws." *Id.* (*citing Zacchini,* 433 U.S. at 576-79 (holding that the First and Fourteenth Amendments do not immunize the media when they broadcast a performer's entire act, in Zacchini's case, a "human cannonball" act, without performer's consent)); *see also San Francisco Arts and Athletics v. Olympic Committee,* 483 U.S. 522, 541 (1987) (holding that organization had no First Amendment right of expression to appropriate the word "Olympic" for use in the term "Gay Olympic Games"); *Branzburg,* 408 U.S. at 684 ("First Amendment does not guarantee the press a constitutional right of special access to information not available to the public generally"); *Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc.,* 600 F.2d 1184, 1188 (5th Cir.1979) ("[t]he first amendment is not a license to trammel on legally recognized rights in intellectual property").

Defendants offer few reasons why the principles of *Cohen,* 501 U.S. at 669; *Zacchini,* 433 U.S. at 576-79; *San Francisco Arts,* 483 U.S. at 541; *Branzburg,* 408 U.S. at 684; and *Dallas Cowboys Cheerleaders,* 600 F.2d at 1188 do not apply to the current case, and none are persuasive. For example, Defendants state that they "do not agree with

the general principles emphasized by this Court and extracted from the *Cohen* and *Branzburg* decisions [in the court's Order of February 3, 1999], but suggest that those principles do not exclude, by any means, the First Amendment claims and defenses made by defendants under the unique facts presented here." (Mem. in Opp. at 10.) Defendants' wholly unsupported "suggestion" fails to demonstrate why the principles of *Cohen* and *Branzburg* do not apply "under the unique facts presented here." (*Id.*) Furthermore, Defendants' contention that their position is somehow tenable because they "are not disobeying the copyright laws[.]" (Mem. in Opp. at 10) is inconsistent with their admission that "*Substance* has published a small portion of plaintiff's copyrighted Work." (Mem. in Opp. at 3.) In short, Defendants offer nothing to show that the court should not follow *Cohen* and the other cases cited above.

Defendants' attempts to factually distinguish the cases above (*see* Mem. in Opp. at 8-12) also fail to convince the court that the principles cited therein are inapplicable to the case at bar. For example, Defendants argue that because the *Cohen* court addressed the press's First Amendment rights as they related to a promissory estoppel claim, *Cohen* cannot apply to a First Amendment/copyright case. (*See* Mem. in Opp. at 10.) Given *Cohen* 's general principle that "[t]he publisher of a newspaper has no special immunity from the application of general laws[,]" *Cohen,* 501 U.S. at 670, 111 S.Ct. 2513, and, more specifically, that "the press . . . may not publish copyrighted material without obeying the copyright laws[,]" *id.,* the court declines to read *Cohen* as narrowly as Defendants argue.

Appendix M

Likewise, Defendants contend that the Supreme Court's statement in *Branzburg* that the "First Amendment does not guarantee the press a constitutional right of special access to information not available to the public generally" is inapplicable here because *Branzburg* did not involve a copyright violation. (*See* Mem. in Opp. at 10.) Indeed, the *Branzburg* Court discussed whether requiring newsmen to appear and testify before state or federal grand juries abridges the First Amendment's right freedom of speech and press; and the Court found it did not. *See Branzburg,* 408 U.S. at 667. Nevertheless, this distinction does not render *Branzburg* inapplicable.

Defendants also cite numerous cases to support the contention that the First Amendment guarantees their right to publish copyrighted tests. However, Defendants fail to provide any argument or analysis to demonstrate how or why these cases apply in the instant cause of action. For example, Defendants cite to several cases to support the general contention that, under certain circumstances, the First Amendment may allow copyright infringement. (*See* Resp. at 2) (*citing Belmore v. City Pages, Inc.,* 880 F.Supp. 673, 680 (D.Minn.1995) (holding that the fair use doctrine entitled a newspaper to publish a fable that was written by a police officer in order to critique the unique fable and the police department); *Time, Inc. v. Bernard Geis Assoc.,* 293 F.Supp. 130, 146 (1968) (finding that an author's reproduction of frames of film footage recording President Kennedy's assassination (the Zapruder film) caused little, if any, damage to copyright holder and was thus a fair use of the film); *Schnapper v. Foley,* 667 F.2d 102 (D.C.Cir.1981) (discussing whether, under the copyright law, the United States

Government may receive and hold copyrights transferred to it by assignment, bequest, or otherwise)). But Defendants fail to show how or why these cases, and not *Cohen,* control the instant case. Notably, Defendants never conduct a fair use analysis as did the courts in *Belmore* and *Bernard Geis.* Further, Defendants provide, and the court finds, no reason why *Schnapper* would have any bearing on the instant case. Accordingly, the court finds Defendants' citations unpersuasive.

Similarly, Defendants cite to *United States v. Paramount Pictures,* 334 U.S. 131, 158 (1948) (anti-trust case) (*see* Mem. in Opp. at 5, 7) and Kreiss, "Copyright Fair Use of Standardized Tests," 48 Rutgers Law Review No. 4, 1043 (1996) (*see id.* at 4-5, 7) for the contention that the primary purpose of copyright law is to benefit the public by releasing created works to the public. And Defendants cite generally to *College Entrance Exam. Bd. v. Pataki,* 893 F.Supp. 152 (N.D.N.Y.1995) for the assertion that a recent trend in state legislation requires disclosure of standardized tests. Again, however, Defendants never even attempt to demonstrate why or how these concepts apply here or how the Board's actions "chilled" their First Amendment rights. (*See* Resp. at 6.) These bare references fail to undermine the principles discussed above and fail to demonstrate that the First Amendment protects Defendants' publication of the copyrighted tests.

Additionally, Defendants cite to *Triangle Pubs., Inc. v. Knight-Ridder Newspapers, Inc.,* 445 F.Supp. 875 (S.D.Fla.1978) for the contention, "[w]hen the Copyright Act and the First Amendment . . . operate at cross purposes, the

primacy of the First Amendment mandates that the Copyright Act be deprived of effectuation." (Mem. in Opp. at 6.) Again, Defendants offer no reason why this general assertion applies to the specific facts of the instant case, and the court finds *Triangle Pubs.* inapplicable for three reasons. First, *Triangle Pubs.* utilized a fair use analysis, which, as noted above, Defendants never performed. Second, *Triangle Pubs.* predates *Cohen* by 13 years and offers nothing to suggest that applying *Cohen* here is erroneous. Third, as the Second Circuit stated in 1982,

> In *Triangle,* the District Court held that the fair use doctrine did not protect the defendant's use of a photograph of TV Guide's cover in comparative advertisements, but that the First Amendment nonetheless prevented the issuance of an injunction to stop it. That case is alone in its holding and is not even the law of the Fifth Circuit: *the affirmance found that the use made of the cover was fair, and did not reach the First Amendment issue.*

Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broadcasting Sys., Inc., 672 F.2d 1095, 1099 n.10 (2d Cir.1982) (emphasis added).

In short, Defendants fail to discuss their cited authority and fail to even minimally develop their arguments. The court notes that it is not obliged to make Defendants' arguments for them. *See Outsource Int'l v. Barton,* 192 F.3d 662, 669 (7th Cir.1999) ("defendants' argument is underdeveloped and unsupported by law and, therefore, it is waived.") (*citing*

United States v. Brocksmith, 991 F.2d 1363, 1366 (7th Cir.1993) ("The premise of our adversarial system is that appellate courts do not sit as self-directed boards of legal inquiry and research, but essentially as arbiters of legal questions presented and argued by the parties before them.")); *Reidt v. County of Trempealeau*, 975 F.2d 1336, 1341 (7th Cir.1992) (plaintiff waived disparate impact claim alleged in complaint by failing to fulfill her "minimal responsibility of identifying the applicable law and arguing why the facts . . . fit into the parameters of that law."); *Freeman United Coal Mining Co. v. Office of Workers' Compensation Programs*, 957 F.2d 302, 305 (7th Cir.1992) ("[W]e have no obligation to consider an issue that is . . . not developed [ ] in a party's brief."). Thus, Defendants' failure to develop their cited authority does not obligate the court to do so. Nevertheless, the court has reviewed Defendants' cited authority and finds no support for Defendants' First Amendment right to publish the copyrighted tests.

To summarize, in the case at bar, *Substance* received copies of confidential, copyrighted educational tests through, according to Defendants, anonymous sources. Schmidt, unconcerned that the Board prohibited the tests' reproduction and distribution, published copies of certain tests in *Substance* in violation of the Copyright Act, 17 U.S.C. § 106(1). The unauthorized publication destroyed the published (and possibly the unpublished) tests' usefulness and value. Given these facts, the court finds that Defendants possessed no First Amendment right to publish the copyrighted tests. *See Cohen*, 501 U.S. at 669; *Zacchini*, 433 U.S. at 576-79; *San Francisco Arts*, 483 U.S. at 541;

Branzburg, 408 U.S. at 684; *Dallas Cowboys Cheerleaders*, 600 F.2d at 1188. Defendants offer no authority to the contrary.

Furthermore, Defendants present only one reason for publishing the tests: to stir public debate about them. (*See* Countercl. ¶ 27); (*see also* Mem. in Opp. at 3.) While creating public awareness of potentially ineffective educational tests is an admirable goal, it fails to convert Defendants' copyright violations to conduct protected by the First Amendment. The court notes that "[l]itigants may plead themselves out of court by alleging facts that establish defendants' entitlement to prevail." *Bennett v. Schmidt*, 153 F.3d 516, 518 (7th Cir.1998). In other words, a "plaintiff can plead himself out of court by alleging facts which show that he has no claim, even though he was not required to allege those facts." *Soo Line R.R. Co. v. St. Louis S.W. Ry. Co.*, 125 F.3d 481, 483 (7th Cir.1997). The court is not "'obliged to ignore any facts set forth in the complaint or its attached exhibits, *see* Fed.R.Civ.P. 10(c), that undermine the plaintiff's claim.'" *Hamilton v. O'Leary*, 976 F.2d 341, 343 (7th Cir.1992) (*quoting R.J.R. Services, Inc. v. Aetna Casualty & Surety Co.*, 895 F.2d 279, 281 (7th Cir.1989)); *see also Soo Line R.R. Co.*, 125 F.3d at 483 ("[J]udicial efficiency demands that a party not be allowed to controvert what it has already unequivocally told a court by the most formal and considered means possible."). Given that Defendants sole motivation for publishing the tests was to stir public debate, the court finds that the First Amendment provides no protection for Defendants actions.

Appendix M

1. Defendants' Counterclaims

Moreover, the court finds no set of circumstances that would afford Defendants First Amendment protection for publishing the copyrighted tests. Thus, although Defendants direct their First Amendment arguments toward "certain of Defendants' Affirmative Defenses" (Mem. in Opp. at 2), to the extent they base their Counterclaims on First Amendment protections, those are untenable and fail as a matter of law. (*See* Countercl. ¶¶ 19-21.) Accordingly, the court grants the Board's Rule 12(b)(6) Motion to Dismiss Defendants' Counterclaims to the extent they assert First Amendment violations.

2. Defendants' Third and Fourth Affirmative Defenses

The Board also moves to strike, apparently under Federal Rule of Civil Procedure 12(f), Defendants' Second, Third, and Fourth Affirmative Defenses. (*See* Mem. in Supp. at 5.) The court first addresses the Board's motion to strike Defendants' Third Affirmative Defense (Publication of copyrighted tests are privileged under First and Fourteenth Amendments) and Fourth Affirmative Defense (Publication of copyrighted tests are privileged under "Free Speech and Press provisions of applicable state constitutions"). (*See* Affirmative Defenses at 26.) Although the Board's motion to strike is technically untimely under the 20 day limitation of Rule 12(f), "upon the court's own initiative at any time, the court may order stricken from any pleading any insufficient defense. . . ." Fed.R.Civ.P. 12(f); *see also Williams v. Jader Fuel Co., Inc.*, 944 F.2d 1388, 1400 (7th Cir.1991) (stating that "Courts have read Rule 12(f) to allow

a district court to consider a motion to strike at any point in a case, reasoning that it is considering the issue of its own accord despite the fact that its attention was prompted by an untimely filed motion.") (citations omitted); *Trull v. Microsoft Corp.*, No. 97-2709, 1998 WL 25195, at *1 (N.D.Ill. Jan.13, 1998). Accordingly, the court addresses the merits of Defendants' Third and Fourth Affirmative Defenses. *See Williams,* 944 F.2d at 1400; *Trull,* 1998 WL 25195, at *1.

Under Federal Rule of Civil Procedure 8(a), a defendant must set forth a "short and plain statement" of the affirmative defense. *See Heller Fin. Inc. v. Midwhey Powder Co., Inc.,* 883 F.2d 1286, 1294 (7th Cir.1989) (*citing Bobbitt v. Victorian House, Inc.,* 532 F.Supp. 734, 736-37 (N.D.Ill.1982)). The Board does not argue that Defendants improperly plead these affirmative defenses under Rule 8(a), but contends that because the First Amendment affords no protection for Defendants' actions, the defenses must be stricken. (*See* Mem. in Supp. at 5.) In general, courts disfavor motions to strike, because such motions potentially serve only to delay. *See Heller Fin.,* 883 F.2d at 1294; *see also Codest Eng'g v. Hyatt Int'l Corp.,* 954 F.Supp. 1224, 1228 (N.D.Ill.1996); *Wilson v. City of Chicago,* 900 F.Supp. 1015, 1023 (N.D.Ill.1995). Where, however, motions to strike "remove unnecessary clutter from the case, they serve to expedite, not delay." *Heller Fin.,* 883 F.2d at 1294. Thus, motions to strike "will not be granted unless it appears to a certainty that plaintiffs would succeed despite any state of the facts which could be proved in support of the defense . . . and are inferable from the pleadings." *Williams,* 944 F.2d at 1400 (citations omitted); *see also Codest Eng'g,* 954

F.Supp. at 1228; *Wilson*, 900 F.Supp. at 1023-24. Put another way, motions to strike affirmative defenses should be granted where the affirmative defenses are "patently defective and could not succeed under any circumstances." *Mobley v. Kelly Kean Nissan, Inc.*, 864 F.Supp. 726, 732 (N.D.Ill.1993)).

Having determined that Defendants possessed no First Amendment right to publish the Board's copyrighted tests, the court concludes that under no circumstances can Defendants prevail under their Third ("First and Fourteenth Amendment privilege") and Fourth ("Free Speech and Press provisions of applicable state constitutions privilege") affirmative defenses. Accordingly, the court opts to "remove unnecessary clutter from the case[,]" and grants the Board's motion to strike Defendants' Third and Fourth Affirmative Defenses. *Heller Fin.*, 883 F.2d at 1294.

C. Defendants' Fair Use Affirmative Defense

Next, the Board moves to strike, again apparently under Federal Rule of Civil Procedure 12(f), Defendants' Fair Use Affirmative Defense. (*See* Mem. in Supp. at 5; Second Affirmative Defense, Answer at 26.) As discussed above, the court considers the untimely motion to strike (*see* cases cited *supra* p. 18), and again notes that motions to strike "will not be granted unless it appears to a certainty that plaintiffs would succeed despite any state of the facts which could be proved in support of the defense . . . and are inferable from the pleadings." *See* cases cited *supra* p. 19.

Whether a use qualifies as a permissible fair use is a mixed question of law and fact. *See Harper & Row*

Publishers., Inc. v. Nation Enters., 471 U.S. 539, 560 (1985). Furthermore, the court recognizes that fair use affirmative defenses are not typically decided pursuant to motions to strike. *Cf. Cortland Line Co., Inc. v. Orvis Co., Inc.*, 1997 WL 808608, at *4 (N.D.N.Y.1997) ("[a]lthough affirmative defenses may be raised in a motion to dismiss, defenses such as the fair use doctrine involve a more detailed analysis of the facts at issue and are best resolved by summary judgment motions or adjudication at trial."); *Int-Elect Engineering, Inc. v. Clinton Harley Corp.*, 1993 WL 557639, at *2 (N.D.Cal.1993) (same). However, faced with the facts of the instant case, the court finds it proper to grant the Board's motion to strike Defendants' fair use affirmative defense. As discussed below, the court necessarily finds that "it appears to a certainty that plaintiffs would succeed despite any state of the facts which could be proved in support of the defense . . . and are inferable from the pleadings." *Williams*, 944 F.2d at 1400.

The fair use doctrine, codified at § 107 of the Copyright Act provides:

> Notwithstanding the provisions of section 106, the fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

> (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
>
> (2) the nature of the copyrighted work;
>
> (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
>
> (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. § 107. No single fair use factor is dispositive of the issue, and all of the factors must be considered in light of the purposes of copyright. *See Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994). "The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis." *Id.* Moreover, Defendants bear the burden of demonstrating their fair use affirmative defense. *See id.* at 591, 114 S.Ct. 1164 (*citing Harper & Row*, 471 U.S. at 561).

In the instant case, despite the Board's detailed analysis of the fair use factors, *see* Reply at 6-9, Defendants present little to support that their use of the tests was fair. For example, in their Memorandum in Opposition, Defendants assert, but never develop or otherwise support, that "[t]he scope of the fair use doctrine is wider when the

use relates to issues of public concern [,]"[7] (Mem. in Opp. at 8) (*quoting National Rifle Ass'n v. Handgun Control Fed.*, 15 F.3d 559, 562 (6th Cir.1994)). *But see Harper & Row*, 471 U.S. at 569 (holding that verbatim copying of former President Gerald Ford's unpublished manuscript, a matter of public concern, was not a fair use of the manuscript). Further, Defendants cite to Professor Nimmer who "instructs us that there remains an ongoing conflict or paradox between the First Amendment and Copyright, and a continuing 'Need to Reconcile Copyright and the First Amendment.'" (Mem. in Opp. at 10-11) (*citing* 1 Nimmer on Copyright § 1.10[A] (1998).) Defendants also state that "[t]he defenses of fair use and free speech should be kept separate. . . ." (*See* Mem. in Opp. at 11) (*citing* 1 Nimmer on Copyright § 1.10[A] (1998).) Again, however, Defendants fail to demonstrate how these generalities apply here. Finally, Defendants basically ignore the Board analysis of the factors, *see* Reply at 6-9, and merely respond, "Even assuming *arguendo* defendants copied 'entire' works, that circumstance alone would not be dispositive in a proper fair-use analysis." (Sur-reply at 2.)

In sum, Defendants never even recite the fair use factors in any of their pleadings, much less discuss how those factors weigh in their favor. Defendants offer nothing substantive to support a fair use argument, and the court is not obliged to make their arguments for them. *See* cases cited *supra* p. 14. Furthermore, Defendants offer no indication that they plan to present facts, argument, or analysis in support of a

7. The court notes that the public may also be concerned with the potential utility of the costly test project than with one person's attempt to stir public debate about the tests by publishing them.

fair use later. Accordingly, Defendants fail to meet their burden of demonstrating that the publication of the tests constitutes a fair use, and do not suggest that they will argue the point later. *See Campbell,* 510 U.S. at 577; (*citing Harper & Row,* 471 U.S. at 561); *see also Bauer,* 150 F.3d at 763; *Midway Manuf. Co.,* 1994 WL 188531, at * 2.

Moreover, the court finds that, given the background surrounding the publication of the tests, Defendants cannot support a fair use affirmative defense under any circumstances. As indicated above, the Supreme Court conducted a fair use analysis in *Harper & Row,* 471 U.S. 539. In that case, former president Gerald Ford contracted with Harper & Row Publishers, Inc. to publish his unwritten memoirs. *See id.* at 542. As the memoirs neared completion, Harper & Row contracted with Time Magazine to provide Time with excerpts of the memoirs for a fee. *See id.* at 542-53. Shortly before Time published the magazine edition containing the excerpts of the memoirs, Nation Magazine published a 2,250-word article which included "verbatim quotes of the author's original language totaling between 300 and 400 words and constituting some 13% of The Nation article." *Id.* at 548-49. The Court rejected The Nation's argument "that the public's interest in learning this news as fast as possible outweighed the right of the author to control its first publication [,]" because this theory would "expand fair use to effectively destroy any expectation of copyright protection in the work of a public figure." *Id.* at 556-557. The Court then analyzed the case using the fair use factors and determined that The Nation's use of verbatim excerpts from the unpublished manuscript was not a fair use. *Id.*

Likewise, examining the four fair use factors here, the court finds that Defendants' publishing of the tests fails a fair use analysis.

1. Purpose and Character of Use

The first factor, the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes, weighs heavily against a fair use. The "fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a fair use[,]" *Harper & Row*, 471 U.S. at 562 (*citing Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984)), but is not the only factor. *See Campbell*, 510 U.S. at 584 ("the commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry. . . ."). Nonetheless, the court notes that (1) *Substance* is a for-profit newspaper owned by Schmidt, whose goal is, presumably, to increase sales and profits; and (2) any publication of the tests (whose creation allegedly cost approximately $1.3 million (*see* Am.Compl. ¶ 9)) would destroy their confidentiality, and diminish the Board's future educational use of them. (*See id.* ¶ 49.) Accordingly, that the tests were published in Schmidt's for-profit newspaper weighs against Defendants' assertion of a fair use.

Furthermore, even if the court ignores that *Substance* is a for-profit newspaper, and assumes, as Defendants argue, that the sole purpose of publishing the tests was to stir public debate over the tests' effectiveness, the "sensitive balancing of interests" in making the purpose or character of use determination weighs against Defendants. *Campbell*,

510 U.S. at 584 (discussing whether rap group 2 Live Crew's parody of Roy Orbison's *Oh, Pretty Woman* was a fair use of the original song and determining that the commercial character of the parody did not create a presumption against fair use); *see also Sony,* 464 U.S. at 451. Defendants' actions have few redeeming qualities to balance out the interests of the Board. Defendants chose to print substantial portions of the tests to the detriment of the tests' owner, a charitable foundation, and taxpayers. Furthermore, Defendants could have stirred debate over the tests in a way that did not destroy the usefulness of five, if not six or more, of the 22 tests. Even if Defendants' actions revealed that the tests are invalid, Defendants' actions which destroy someone else's confidential, costly property is difficult to condone. Thus, even if Defendants' sole motivation for publishing the tests was to generate public debate, the character of Defendants' use of the tests weighs against that use being fair. *Cf. Harper & Row,* 471 U.S. at 562 (stating that the Court is unable to ignore the impropriety of defendant's publishing of a purloined manuscript); *see also Cohen,* 501 U.S. at 669 ("truthful information sought to be published must have been lawfully acquired.").

2. Nature of the Copyrighted Work

The second factor, the nature of the copyrighted work, also demonstrates that publishing the tests was not a fair use. "This factor calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied." *Campbell,* 510 U.S. at 586. "The fact that a work is unpublished is a critical element

of its 'nature' " and "the scope of fair use is narrower with respect to unpublished works." *Harper & Row,* 471 U.S. at 564 (citations omitted) (stating that publishing purloined manuscripts verbatim in order to "scoop" the material's owner's news story is a use that so clearly infringes the copyright holder's interests in confidentiality and creative control that it is difficult to characterize such a use as fair). In the case at bar, the Board developed the tests to determine the educational levels of students, and the need to keep the tests confidential and out of the public realm is obvious. Publishing the tests destroyed their confidentiality and prevents the Board from using the published tests (and possibly the unpublished tests) in the future. Thus, the nature of the copyrighted work favors the Board.

3. Amount of Work used in Relation to the Whole

Third, the court finds that the "amount and substantiality of the portion used in relation to the copyrighted work as a whole" weighs against a fair use as well. "[T]his factor calls for thought not only about the quantity of the materials used, but about their quality and importance, too." *Campbell,* 510 U.S. at 587. Furthermore, "whether 'a substantial portion of the infringing work was copied verbatim' from the copyrighted work is a relevant question . . . , for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm under the fourth. . . ." *Campbell,* 510 U.S. at 587 (*quoting Harper & Row,* 471 U.S. at 565). In the instant matter, Defendants printed five entire tests and a substantial portion of a sixth, all but guaranteeing that the published tests (and possibly the unpublished ones) would be unusable in the future.

At the very least, Defendants placed more than 22% of the testing materials into the public realm. Moreover, each test can be viewed as its own educational tool. Considering the tests in this manner, Defendants ruined 100% of each of the reproduced tests. This degree of publication demonstrates a substantial portion of the tests as a whole and weighs against a fair use. *See Harper & Row,* 471 U.S. at 548-49 (finding against a fair use where the published article included "verbatim quotes of the author's original language totaling between 300 and 400 words and constituting some 13% of The Nation article.").

4. Effect on the Market

Finally, the effect on the market factor also disfavors Defendants. As noted in *Harper & Row,* the Copyright Act "focuses on the effect of the use upon the potential market for *or value of* the copyrighted work[,]" and is the single most important element of fair use. 471 U.S. at 565 (citations and internal marks omitted) (emphasis added). While most cases present issues related to the potential commercial market for a copyrighted work, this is not always the case. *See e.g. Quality King Dists.,* 118 S.Ct. at 1128 (noting unusual posture of that copyright case where plaintiff wished to protect the integrity of its marketing method, and not its copyrighted product labels). In the case at bar, the market factor centers around "the value of the copyrighted work[,]" not its potential commercial market. *See Harper & Row,* 471 U.S. at 566. The tests' value lies in the Board's ability to used them repeatedly in the future. Defendants' publication of the tests significantly decreased that value, and the court need not determine at this time the monetary damage

Defendants caused. The court finds no difference between a copyright holder losing future profits because of a copyright infringement and a the Board losing its future educational value of its copyrighted work. Further, Defendants offer nothing to show that their actions did not harm the Board *Cf. id.* at 567 ("once a copyright holder establishes with reasonable probability the existence of a causal connection between the infringement and a loss of revenue, the burden properly shifts to the infringer to show that this damage would have occurred had there been no taking of copyright expression."). Thus, like the other three factors, the market factor also weighs against Defendants.

In sum, Defendants fail to even discuss any of the four fair use factors.[8] And given that Defendants willfully (or, at the very least, recklessly) destroyed the value of the Board's property in an effort to generate public debate about the tests' validity, the court finds no set of circumstances under which Defendants can prevail under a fair use affirmative defense. Thus, the Board will succeed despite any set of facts "which could be proved in support of the defense . . . and are inferable from the pleadings." *Williams,* 944 F.2d at 1400; *Codest Eng'g,* 954 F.Supp. at 1228; *Wilson,* 900 F.Supp. at 1023-24; *Mobley,* 864 F.Supp. at 732. Accordingly, in an effort to

---

8. Defendants cite *Belmore v. City Pages, Inc.,* 880 F.Supp. 673 (D.Minn.1995); *Triangle Pubs.,* 445 F.Supp. 875; and *Hustler Magazine, Inc. v. Moral Majority, Inc.,* 796 F.2d 1148 (9th Cir.1986) in apparent support of their fair use affirmative defense. (*See* Mem. in Opp. at 9.) However, Defendants again neglect to discuss or otherwise demonstrate how these cases apply to the case at bar. Furthermore, the court finds these cases dissimilar to the case at bar and unpersuasive.

"remove unnecessary clutter from the case," *Heller Fin.*, 883 F.2d at 1294, the court grants the Board's motion to strike Defendants' Fair Use Affirmative Defense.

D. Pickering Balancing Test

Defendants also cite to *Pickering v. Bd. of Educ.*, 391 U.S. 563 (1968) and state that the court should sustain their Counterclaims because "a teacher's exercise of his right to speak on issues of public importance may not furnish the basis for his dismissal from public employment." (Mem. in Opp. at 14.) However, Defendants' mere citation to *Pickering* (and that's all it is), is unpersuasive and fatally unsupported. *See* cases cited *supra* at 928. Furthermore, the court notes that Defendants never assert that the Board dismissed Schmidt, but only that the Board suspended Schmidt without pay. (*See* Countercl. at 27.) Nevertheless, the court addresses whether a *Pickering* analysis is appropriate and if so, whether Defendants can prevail under that analysis.

Before the court addresses the merits of Defendants' "argument," it must first provide the background relevant to *Pickering*. In *Board of County Commissioners, Wabaunsee County., Kan. v. Umbehr,* 518 U.S. 668, 679 (1996), the Supreme Court iterated that the First Amendment provides no absolute guarantee of freedom of speech, rather, it "protects government employees from termination *because* of their speech on matters of public concern." *Id.* (*citing Connick v. Myers,* 461 U.S. 138, 146 (1983)). "To prevail, an employee must prove that the conduct at issue was constitutionally protected, and that it was a substantial or motivating factor in the termination." *Wabaunsee County.*,

518 U.S. at 679. Moreover, even if a defendant clears the "constitutionally protected activity" hurdle, "termination because of protected speech may be justified when legitimate countervailing government interests are sufficiently strong." *Id.; see also Marshall v. Allen,* 984 F.2d 787, 797 n.8 (7th Cir.1993). When examining allegations of such a termination, "[g]overnment employees' First Amendment rights depend on the balance between the interests of the [employee], as a citizen, in commenting upon matters of public concern and the interest of the State, as an employer, in promoting the efficiency of the public services it performs through its employees." *Wabaunsee County.,* 518 U.S. at 680 (*citing Pickering,* 391 U.S. at 568). "The key to First Amendment analysis of government employment decisions, then, is this: The government's interest in achieving its goals as effectively and efficiently as possible is elevated from a relatively subordinate interest when it acts as sovereign to a significant one when it acts as employer." *Wabaunsee County,* 518 U.S. at 680 (*citing Waters v. Churchill,* 511 U.S. 661, 674 (1994) (plurality opinion approved by seven Justices)). In addition, the Seventh Circuit recently summarized the *Pickering* analysis this way:

> In *Pickering v. Board of Education,* 391 U.S. 563, 88 S.Ct. 1731, 20 L.Ed.2d 811 (1968), the Court set out a two-pronged balancing test to determine whether a public employee's First Amendment rights have been violated. First, it must be determined whether the speech (or association) is on a matter of public concern. If it is, then the court must balance the interest of the public employee, as a citizen, in commenting upon

> matters of public concern with the interest of the government, as the employer, in promoting the efficiency of the public services it provides.

Klug v. Chicago Sch. Reform Bd. of Trustees, __, F.3d __, 1999 WL 1063466, at *3 (7thCir. Nov. 23, 1999); *see also Weicherding v. Riegel*, 160 F.3d 1139, 1142 (7th Cir.1998); *Messman v. Helmke*, 133 F.3d 1042, 1045 (7th Cir.1998).

However, as *Wabaunsee County* illustrates, "an employee must prove that the conduct at issue was constitutionally protected" before undertaking a *Pickering* analysis. 518 U.S. at 679. Only after an employee clears the "constitutionally protected activity" hurdle does a court address whether the employee's termination because of protected speech was justified by legitimate countervailing government interests. *See id.* As discussed above, the court has already determined as a matter of law that the First Amendment does not protect Defendants' conduct. *See* discussion *supra* pp. 10-19; *see also Button v. Kibby-Brown*, 146 F.3d 526, 528 (7th Cir.1998) ("[w]hether a public employee's speech has protected status presents a question of law determined in the first instance by the trial judge. . . .") (*quoting Wright v. Illinois Dept. of Children and Family Servs.*, 40 F.3d 1492, 1499-1500 (7th Cir.1994)) (other citations omitted). Thus, accepting as true the well-pleaded facts in Defendants' Counterclaims, as the court must, *see Klug*, 1999 WL 1063466, at *3, the court finds that Defendants fail to clear to "constitutionally protected activity" hurdle. Accordingly, the court need not conduct a *Pickering* balancing test to determine whether the First Amendment protects the publishing of the tests. Nevertheless, the court proceeds with a *Pickering* analysis.

Appendix M

While courts ordinarily are reluctant to perform the *Pickering* balancing test on the basis of the pleadings (because of the liberal notice pleading requirements of Federal Rule of Civil Procedure 8(a)) where a plaintiff chooses to plead particulars, and those particulars " 'show he has no claim, then he is out of luck—he has pleaded himself out of court.' " *Id.* at *4; (*quoting Thomas v. Farley,* 31 F.3d 557, 558-559 (7th Cir.1994) and *citing Jefferson v. Ambroz,* 90 F.3d 1291 (7th Cir.1996)); *see also Bennett v. Schmidt,* 153 F.3d 516, 518 (7th Cir.1998) ("[l]itigants may plead themselves out of court by alleging facts that establish defendants' entitlement to prevail.") Again, the court notes that "judicial efficiency demands that a party not be allowed to controvert what it has already unequivocally told a court by the most formal and considered means possible." *Soo Line R.R. Co.,* 125 F.3d at 483.

In the instant case, whether styled as a First Amendment violation or a substantive due process violation, Defendants assert one theory in their Counterclaims: The First Amendment allows Defendants to publish copyrighted tests as a way to stir public debate. Thus, the instant case, like *Klug,* "is one of those rare cases in which the balancing can be performed based on the facts in the complaint." *Klug* 1999 WL 1063466, at *5.

The court begins by assuming that Defendants satisfy the first *Pickering* step, that is, the court assumes that the tests' validity is a matter of public concern. *See id.* at *3. The court thus proceeds to the second step in the *Pickering* analysis. That step requires a balancing of the interests of the employee, as a citizen, in commenting upon matters of

public concern and the interest of the State, as an employer, in promoting the efficiency of the public services it performs through its employees. *See id.; see also Feldman v. Ho,* 171 F.3d 494, 497 (7th Cir.1999) (stating that where "speech proves excessively disruptive of an employer's mission, then the employer may respond."); *Weicherding,* 160 F.3d at 1142). The relevant factors to consider in performing the balancing in this case are: (1) the effect of Schmidt's conduct on the orderly maintenance and efficiency of the Chicago Public Schools; (2) the effect of Schmidt's constitutionally protected activity on his ability to perform his duties; (3) the nature of Schmidt's employment, including whether his position is one of loyalty or confidence; (4) the time, place, and manner of Schmidt's speech or activity; (5) the context in which the dispute arose; and (6) whether the matter was one on which debate was vital to decision. *See id.* at 858 (*citing Kokkinis v. Ivkovich,* 185 F.3d 840, 845 (7th Cir.1999)); *see also Weicherding* 160 F.3d at 1142 (*citing Wright v. Illinois Dept. of Children & Family Servs.,* 40 F.3d 1492, 1502 (7th Cir.1994)).

Given these factors and the facts presented in the pleadings, Defendants' Counterclaims do not survive even a motion to dismiss. Examining the factors, the court first recognizes that Defendants' publication of the tests drastically impeded the Board's interest in efficiently educating and determining the education levels of students. Second, Schmidt's ability to perform his teaching duties were minimally affected by publishing the tests. Third, as a teacher administering the tests, Schmidt was in a position of confidence. That he received the tests from anonymous sources is irrelevant, as the court again notes that "truthful

information sought to be published must have been lawfully acquired." *See Cohen,* 501 U.S. at 669. Fourth, the time, place, and manner of Schmidt's attempt to stir public debate significantly damaged the value of the tests. Fifth, the "context in which the dispute arose," that is, the Board's disciplinary action against Schmidt for publishing its copyrighted tests, is not an egregiously inappropriate response. *See Feldman,* 171 F.3d at 497 (stating where "speech proves excessively disruptive of an employer's mission, then the employer may respond.") Finally, the Board's decision to discipline Schmidt was not one on which debate was vital. In sum, these balancing factors demonstrate that the Board's interest in efficiently promoting its educational mission outweighs Schmidt's interest in commenting upon the tests by publishing several of them in their entirety. The court finds that Defendants could produce no facts to sway the balance.

Additionally, when applying the *Pickering* test, the Supreme Court has "consistently given greater deference to government predictions of harm used to justify restriction of employee speech than to predictions of harm used to justify restrictions on the speech of the public at large.'" *Wabaunsee County,* 518 U.S. at 680 (*quoting Waters,* 511 U.S. at 1887). In the case at bar, Defendants' publication of the copyrighted tests, designed for years of use, completely destroyed the value of several, if not all, of the tests. Thus, given that (1) Defendants had no First Amendment right to publish the copyrighted tests; (2) the *Pickering* factors weigh heavily against Defendants' interest in publishing the tests; (3) Defendants' actions harmed the Board's use of the tests in the future; and (4) Defendants complete lack of support

for sustaining their Counterclaims under a *Pickering* analysis,[9] the court concludes that even if a *Pickering* balancing test applies, Defendants' Counterclaims fail.

E. Substantive Due Process Claim

Next, Defendants assert that their Counterclaims state violations of their substantive due process rights (*see* Mem. in Opp. at 16.) However, it is well established that "[w]here a particular amendment provides an explicit textual source of constitutional protection against a particular sort of government behavior, that Amendment, not the more generalized notion of substantive due process, must be the guide for analyzing these claims.'" *See County of Sacramento v. Lewis,* 523 U.S. 833, __, 118 S.Ct. 1708, 1714 (1998) (holding that a police officer's killing of motorcycle passenger during high-speed chase was not covered by any Constitutional Amendment) (*quoting Albright v. Oliver,* 510 U.S. 266, 273 (1994) (plurality opinion of Rehnquist, C.J.) (*in turn quoting Graham v. Connor,* 490 U.S. 386, 395 (1989) ("Because the Fourth Amendment provides an explicit textual source of constitutional protection against this sort of

---

9. The court also notes that in their Response, Defendants cite *Walsh v. Ward,* 991 F.2d 1344 (7th Cir.1993); *Cliff v. Bd. of Sch. Commissioners,* 42 F.3d 403 (7th Cir.1994); and *Hulbert v. Wilhelm,* 120 F.3d 648 (7th Cir.1997) for the broad assertion that "a cause of action under § 1983 to obtain legal and equitable relief for such deprivations of constitutional rights was recognized by the Court of Appeals for the Seventh Circuit[.]" (Resp. at 5.) Defendants fail to discuss any of these cases even briefly, and the court finds that none of them support Defendants' Counterclaims of substantive due process or First Amendment violations under the circumstances.

physically intrusive governmental conduct [police officer's excessive force during an investigatory stop], that Amendment, not the more generalized notion of 'substantive due process,' must be the guide for analyzing these claims."))); *see also Conn v. Gabbert,* 526 U.S. 286, __, 119 S.Ct. 1292, 1296 (1999) (refusing to determine validity of substantive due process claim because "[c]hallenges to the reasonableness of a search by government agents clearly fall under the Fourth Amendment, and not the Fourteenth"); *Tesch v. County of Green Lake,* 157 F.3d 465, 472 (7th Cir.1998) (rejecting attempt to circumvent dismissal of Fourth Amendment unreasonable arrest claims by appealing substantive due process claim based on the unreasonable arrest); *Thaddeus-X v. Blatter,* 175 F.3d 378, 387-88 (6th Cir.1999) (finding that a warden's retaliation against the protected speech of an inmate aiding a fellow inmate's litigation, was covered by the First Amendment, and thus, stated no substantive due process claim); *Valot v. Southeast Local Sch. Dist. Bd. of Educ.,* 107 F.3d 1220, 1232 (6th Cir.1997) (concurring opinion) (stating that where plaintiff grounds what he repeatedly refers to as his "constitutional right" under the First Amendment, and fails to allege that the interest of which he has been deprived is found either in the life, liberty, or property components of the Fourteenth Amendment, the right is not protected by the Due Process Clause, but by the First Amendment); *Nestor Colon Medina & Sucesores, Inc. v. Custodio,* 964 F.2d 32, 45 (1st Cir.1992) ("To the extent [plaintiff's] substantive due process claim is based on the alleged retaliation for his political views, it is coextensive with his First Amendment claim [and] there is obviously no need to enter the uncharted thicket of substantive due process to find an avenue for relief. . . .");

Appendix M

Davis v. Olin, 886 F.Supp. 804, 812 (D.Kan.1995) (dismissing substantive due process claim because it paralleled First Amendment claim of retaliatory discharge for speaking out on an issue of public concern); *Silva v. Univ. of N.H.*, 888 F.Supp. 293, 325 (D.N.H.1994) (granting summary judgment as to plaintiff's substantive due process allegation because it was the same claim as plaintiff's First Amendment claim).

In the case at bar, Defendants clearly seek the First Amendment's protection in their substantive due process Counterclaims. The Counterclaims, in their entirety, allege:

V. CLAIMS FOR RELIEF

19. At all times relevant to the action complained of herein, the Chicago School Reform Board and Paul Vallas are each "persons" within the meaning of that term as it is used in 42 U.S.C. § 1983.

20. When, under color of state law, they participated in the decision making process regarding George Schmidt's employment *and* the filing of this lawsuit, the Chicago School Reform Board and Paul Vallas deprived Substance, Inc. and George Schmidt of their rights guaranteed by the First Amendment of the United States Constitution, as made applicable to the states and their subordinate municipalities by the Fourteenth Amendment to the United States Constitution.

> 21. When participating in the conduct outlined above, the Chicago School Reform Board and Paul Vallas acted wilfully, recklessly, with callous indifference to, and in gross disregard of the constitutional rights of Substance, Inc. and George Schmidt.

(Countercl. ¶¶ 19-21.) Hence, Defendants specify no constitutional right violations other than violations of the First Amendment. (*See id.*)

Additionally, Defendants' Response and Memorandum in Opposition further demonstrate that they seek only First Amendment protection. For example, Defendants argue that (1) "[i]t is necessary for Schmidt and Substance to invoke the Fourteenth Amendment and 'due process' in their claims which assert their First Amendment rights[,]" (Resp. at 6); (2) "[Defendants' Counterclaims] raise claims based on violations of the First Amendment rights of [Defendants,]" (Mem. in Opp. at 2); (3) "it is clear that Schmidt was punished by the Board for his lawful exercise of his rights under the First Amendment and has, therefore, stated a cause upon which relief may be granted [,]" (Mem. in Opp. at 14); (4) even if Defendants violated copyright laws, "the court will also have to determine if the Board (and Vallas) subsequently violated the First Amendment rights of Schmidt and Substance by disciplining Schmidt for his role in publishing Substance[,]" (Mem. in Opp. at 15); and (5) "it was necessary for Schmidt and Substance to plead their First Amendment rights as also being Fourteenth Amendment rights, redress for which is sought through § 1983." (Mem. in Opp. at 16.) Thus, the court finds that

Defendants' Counterclaims allege nothing more than First Amendment violations.(*See* Countercl. at 30-32.) Furthermore, that Defendants' First Amendment claim fails has no bearing on the court's dismissal of Defendants' substantive due process Counterclaims. *See Tesch,* 157 F.3d at 471 (refusing to entertain substantive due process claim of unreasonable arrest after district court granted summary judgment as to Fourth Amendment claim of unreasonable arrest and appellant did not appeal dismissal of Fourth Amendment claim). Accordingly, the court dismisses the Counterclaims.

To the extent that Defendants' substantive due process Counterclaims can be read to assert claims other than First Amendment violations, their Counterclaims boil down to this: The Board's disciplinary action against Schmidt and filing of the instant suit is a violation of Defendants' substantive due process rights. As discussed below, this bare-bones allegation fails to state a due process claim upon relief can be granted pursuant to Federal Rule of Civil Procedure 12(b)(6).

The Supreme Court has repeatedly emphasized that " '[t]he touchstone of due process is protection of the individual against arbitrary action of government[.]'" *Lewis,* 118 S.Ct. at 1716 (*quoting Wolff v. McDonnell,* 418 U.S. 539, 558 (1974)). This due process guarantee protects not only against denials of fundamental procedural fairness, *see Lewis,* 118 S.Ct. at 1716 (*citing, e.g., Fuentes v. Shevin,* 407 U.S. 67, 82 (1972)), but also against the "the exercise of power without any reasonable justification in the service of a legitimate governmental objective[.]" *Lewis,* 118 S.Ct. at 1716 (*citing,*

e.g., Daniels v. Williams, 474 U.S. 327, 331 (1986) (stating that the substantive due process guarantee protects against government power arbitrarily and oppressively exercised)). The Supreme Court emphasizes that "only the most egregious official conduct can be said to be 'arbitrary in the constitutional sense[.]' " *Lewis,* 118 S.Ct. at 1716 (*quoting Collins v. Harker Heights,* 503 U.S. 115, 129 (1992)). Moreover, the Due Process Clause was intended to prevent government officials "from abusing [their power], or employing it as an instrument of oppression." *Collins,* 503 U.S. at 129 (citations omitted). In the case at bar, Defendants had no right to publish the Board's tests. *See* discussion *supra* pp. 925-30. Hence, the Board's actions against Defendants are not of the egregious and oppressive type which violate Defendants' substantive due process rights.

Furthermore, in *Washington v. Glucksberg,* the Supreme Court iterated that the Due Process Clause provides, in addition to those freedoms spelled out in the Bill of Rights, "heightened protection against governmental interference with certain fundamental rights and liberty interests," such as the right to marry, to have children, to direct the education and upbringing of one's children, to marital privacy, to use contraception, to bodily integrity, to choose an abortion, and to refuse unwanted lifesaving medical treatment. 521 U.S. 702, 720 (1997) (citations omitted). However, as a general matter, the Court has " 'always been reluctant to expand the concept of substantive due process because the guideposts for responsible decisionmaking in this uncharted area are scarce and open-ended.'" *Id.* (*quoting Collins v. Harker Heights,* 503 U.S. 115, 125 (1992)). The Seventh Circuit recently emphasized this reluctance to expand substantive due process:

Appendix M

> [W]e have spent some time looking through the Constitution for the Substantive Due Process Clause without finding it. . . . The fact that [substantive due process] is a doctrine owing its existence to constitutional structure rather than a clear grant of power to the judiciary has led the Supreme Court to be cautious in its use.

Khan v. Gallitano, 180 F.3d 829, 833 (7th Cir.1999) (*quoting National Paint & Coatings Assoc. v. City of Chicago,* 45 F.3d 1124, 1129 (7th Cir.1995)).

To determine if a court should expand substantive due process to cover a certain allegation, a court must invoke the substantive due process analysis set forth in *Glucksberg. See Khan,* 180 F.3d at 833 ("The courts have long struggled to identify the appropriate analysis for substantive-due-process claims . . . , [b]ut in [] *Glucksberg* . . . , a five-justice majority of the Court agreed on a single analysis."). The *Glucksberg* Court described the substantive due process analysis the following way:

> First, . . . the Due Process Clause specially protects those fundamental rights and liberties which are, objectively, deeply rooted in this Nation's history and tradition, and implicit in the concept of ordered liberty, such that neither liberty nor justice would exist if they were sacrificed. Second, we have required in substantive-due-process cases a careful description of the asserted fundamental liberty interest. Our Nation's history, legal traditions, and practices thus provide the

> crucial guideposts for responsible decision making that direct and restrain our exposition of the Due Process Clause.

521 U.S. at 720-21 (holding that asserted right to assistance in committing suicide not a fundamental liberty interest protected by the Due Process Clause because that "right" is not deeply rooted in our Nation's traditions); *see also Khan,* 180 F.3d at 833, 835 (holding that plaintiff "failed to show why the right to be free from tortious interference by state actors is a fundamental right deeply rooted in out history and tradition or implicit in the concept of ordered liberty."); *cf. Dunn v. Fairfield Comm. High Sch. Dist. No. 225,* 158 F.3d 962, 965 (7th Cir.1998) ("The Constitution does not guarantee . . . students the right not to receive an 'F' in a course from which they were excluded because of misbehavior."); *Zorzi v. Cty. of Putnam,* 30 F.3d 885, 894 (7th Cir.1994) (holding that occupational liberty, such as arbitrary or capricious termination, is not protected by substantive due process, and stating that "in the absence of a life, liberty or property interest [the plaintiff asserting a substantive due process claim] could be terminated for arbitrary and capricious reasons.") (*citing DeTomaso v. McGinnis,* 970 F.2d 211, 214 (7th Cir.1992)).

In the case at bar, Defendants fail to "carefully formulate the interest at stake[.]"*see Khan,* 180 F.3d at 833. Other than asserting that they have a First Amendment right to publish the tests (which, as discussed above, precludes their parallel substantive due process Counterclaims, *see supra* at 32-35), Defendants provide no description of any fundamental right in their Counterclaims or in their pleadings. Indeed,

Defendants fail to address the point. Additionally, Defendants fail to show, and the court cannot discern, (1) how their substantive due process Counterclaims differ from allegations of First Amendment violations, or (2) how their right to publish the Board's copyrighted tests "is a fundamental right deeply rooted in out history and tradition or implicit in the concept of ordered liberty assert a precise substantive due process liberty" *Id.*; *see also Glucksberg,* 521 U.S. at 720-21.

The court again notes that Defendants' scant support of their position is unpersuasive. For example, Defendants's cite only one case and only for the principle that "the liberty of the press and of speech is within the liberty safeguarded by the due process clause of the Fourteenth Amendment from invasion by state action." (*See* Mem. in Opp. at 16) (*citing Near v. Minnesota,* 283 U.S. 697, 706 (1931)). Defendants also refer to Tribe, American Constitutional Law, §§ 11-2 at 773, but again their "argument" is unsubstantiated: "[t]he Supreme Court decisions drawing on the Bill of Rights to restrict state action have frequently limited the permissible *substance* of state law and not merely its procedures for applying rules to particular cases." (Mem. in Opp. at 16.) In short, Defendants offer nothing to support that they properly state Counterclaims of substantive due process violations. Thus, for the above reasons, Defendants fail to state a substantive due process claim pursuant to Rule 12(b)(6).

F. Vallas

Finally, the Board argues that the court should dismiss Vallas as a Defendant because Defendants named him only in his official capacity. However, because none of Defendants' Counterclaims survive the Board's motion to dismiss, the point is moot.

G. Federal Rule of Civil Procedure 12(c)

The court emphasizes that it based its granting of the Board's motion to dismiss on Rule 12(b)(6) because Defendants' Counterclaims fail to state First Amendment violation or substantive due process violation claims upon relief could be granted. *See* Fed.R.Civ.P. 12(b)(6). However, the Seventh Circuit recently clarified that Federal Rule of Civil Procedure 12(c) is the appropriate mechanism to dismiss a formally sufficient complaint when a plaintiff "does nothing to back it up after the defendant moves for dismissal. . . ." *See Walker v. National Recovery, Inc.*, __ F.3d __, No. 99-2119, 1999 WL 1257386, at *4 (7th Cir.1999); (*citing Johnson v. Revenue Mgt. Corp.*, 169 F.3d 1057 (7th Cir.1999)); *Kirksey v. R.J. Reynolds Tobacco Co.*, 168 F.3d 1039 (7th Cir.1999); Fed.R.Civ.P. 12(c) ("After the pleadings are closed . . . , any party may move for judgment on the pleadings."). In the case at bar, Defendants' scant support for their First Amendment and substantive due process Counterclaims (and the court notes Defendants' complete lack of support for its fair use and *Pickering* analysis "arguments") do not compel further litigation on those points. Accordingly, even if the Counterclaims technically state claims pursuant to Rule 12(b)(6), the court grants the Board's

motion to dismiss (or, more accurately, motion for judgment on the pleadings), based on the reasoning set forth in this opinion, pursuant to Rule 12(c). *See Walker,* 1999 WL 1257386, at *4.

III. Conclusion

For the foregoing reasons, the court grants the Board's motion to dismiss Defendants' Counterclaim and Third-Party Complaint. The court also grants the Board's motion to strike Defendants' Second, Third, and Fourth Affirmative Defenses.

IT IS SO ORDERED.

ENTER

s/ Charles Ronald Norgle, Sr.
CHARLES RONALD NORGLE, SR.
United States District Court

DATED: 1-4-2000

APPENDIX N — CONSTITUTIONAL PROVISIONS, STATUTES, AND REGULATIONS INVOLVED

Constitution of the United States

Article I, Section 8:

> The Congress shall have Power . . . , *** To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries; ***

Amendment I:

> Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

Amendment XIV, Section 1:

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Appendix N

Constitution of the State of Illinois

Article I - Bill of Rights, Section 4 - Freedom of Speech

All persons may speak, write and publish freely, being responsible for the abuse of that liberty. In trials for libel, both civil and criminal, the truth, when published with good motives and for justifiable ends, shall be a sufficient defense.

Statutes

17 U.S.C. § 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

17 U.S.C. § 204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.***

Appendix N

Regulation

37 C.F.R. § 202.20 Deposit of copies and phonorecords for copyright registration.

* * *

(b) Definitions. For the purposes of this section:

* * *

(4) A secure test is a nonmarketed test administered under supervision at specified centers on specific dates, all copies of which are accounted for and either destroyed or returned to restricted locked storage following each administration. For these purposes a test is not marketed if copies are not sold but it is distributed and used in such a manner that ownership and control of copies remain with the test sponsor or publisher.

* * *

(c) Nature of required deposit.

* * *

(2) In the case of certain works, the special provisions set forth in this clause shall apply. In any case where this clause specifies that one

copy or phonorecord may be submitted, that copy or phonorecord shall represent the best edition, or the work as first published, as set forth in paragraph (c)(1) of this section.

* * *

(vi) Tests. In the case of tests, and answer material for tests, published separately from other literary works, the deposit of one complete copy will suffice in lieu of two copies. In the case of any secure test the Copyright Office will return the deposit to the applicant promptly after examination: Provided, That sufficient portions, description, or the like are retained so as to constitute a sufficient archival record of the deposit.

* * * *